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APRIL 13 • 2015 EDITION

Forbes

SECRETS OF THE WORLD'S TOP TECH INVESTORS

2015 MIDAS LIST

NEW BILLIONAIRE
CHRIS SACCA

"WHEN I INVEST,
I'M IN YOUR FACE."

VENTURE COWBOY

THE 39-YEAR-OLD BEHIND UBER, TWITTER AND INSTAGRAM MIGHT BE THE BEST ANGEL EVER. SO WHY ALL THE BAD BLOOD AND BURNED BRIDGES?

PLUS: THE $1 BILLION STEALTH STARTUP OUT TO KILL GOOGLE


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Contents // April 13, 2015

VOLUME 195 NUMBER 5

Forbes ON THE COVER

COVER PHOTOGRAPH BY JAMEL TOPPIN FOR FORBES


Billions of dollars in technology to combat the most mind-boggling conundrum of all: flats vs. pumps.
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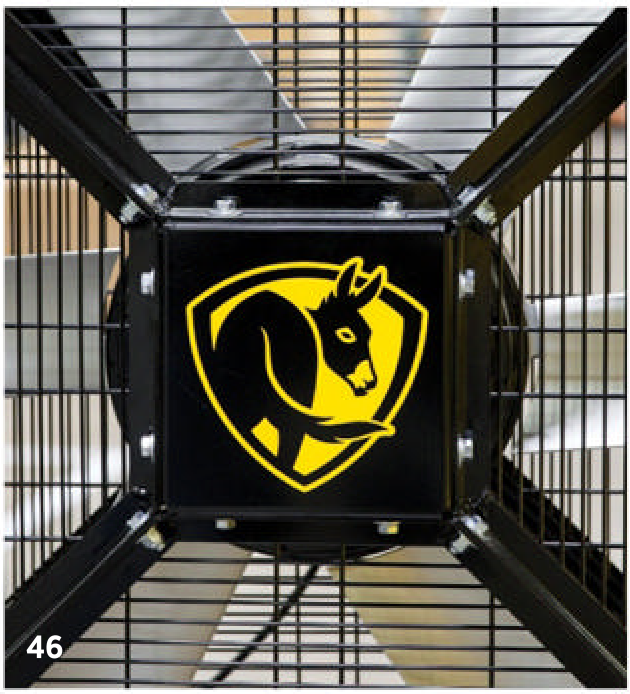

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FEATURES

THE MIDAS LIST

LIFE

APRIL 13, 2015 —VOLUME 195 NUMBER 5

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IN BRIEF

From New Jersey A Newsroom Grows

BY LEWIS D'VORKIN

I've worked in my share of newsrooms. The first, for Dow Jones, was near Wall Street. I got to the office during the New York City blackout of 1977 by climbing a pitch-black stairwell with a flashlight. Then came the *New York Times*, with its trucks barreling down 43rd Street. My first day there I opened my employee locker to be greeted by a dead rat. *Newsweek* breathed in New York—its famous logo atop 42 floors at 444 Madison Avenue. For 47 years FORBES sat on a beautiful corner in Greenwich Village. Then we got the news—we're moving to Jersey City. Three months into it, we love gazing at the Manhattan skyline—and who we've become.

From our desks many of us see a living postcard—the scenes change before our eyes with the weather and time of day. Fog turns the city into a French impressionist's painting. Frigid days transform the Hudson River into an ice show with tugboats instead of figure skaters. Sunny afternoons make the cityscape a steely blue.

SARKIS DELIMELKON FOR FORBES

For me the best view of all is our open newsroom. We've gone from rabbit-hutch offices on eight floors to mini-cultures on two floors. Everyone's connected by a central staircase, with common areas for people to gather on their way up or down. We inhabit enclaves of desks, sofas, living room tables and "huddle rooms."

I see growing collaboration from all angles (I sit in the open, too). To my left, someone from sales could be working with a newsroom data analyst or a social media editor. If I swivel my chair I might see an editor who straddles the worlds of journalism and ad sponsorships, or the business owner of our apps team. If I walk straight ahead I might run into an engineer finishing a puzzle with a product person. These are the new jobs and relationships of journalism, and we're hiring to fill more of them.

No move comes without its adjustments. New York cuisine has been replaced with, well, something less. We now have a grab 'n' scan vending service to supplement the Jif peanut butter and organic milled flaxseeds brought from home.

Oh, yes. Our New Jersey office is next to a mall—anchor stores, food court and all. I consider it a good reminder that our audience includes the 99.9999% of us who aren't billionaires.

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"With all thy getting, get understanding"

UNDERSTANDING OBAMA'S PERVERSE VIEW OF THE WORLD

BY STEVE FORBES, EDITOR-IN-CHIEF

WANT TO GET a good fix on Barack Obama's strange, obsequious and increasingly dangerous policy toward Iran? There's a book that—intentionally or not—explains it. Who knows if Obama ever took a gander at it? But it sure reads like the way in which our deluded President sees the Middle East.

Back in 2008 Robert Baer, an ex-CIA agent turned journalist, wrote *The Devil We Know* (Crown). Its thesis: Iran is an impressively rising regional and global power, and the U.S. ought to recognize this fact and cease futilely resisting the inevitable course of history. What should U.S. policy toward Arab states be? Ditch Saudi Arabia as an ally and let Iran control its oilfields. Ditch Iraq and let Iran annex chunks of that artificially created country, as it sets out to create a new Persian empire—which Baer seems to think is the right and proper thing for Tehran to do. The oil-rich Gulf states? They're toast and destined to become virtual Iranian satrapies. Egypt? It's not a contender and must accommodate itself to being a bit player, as it was in the days of the Roman Empire.

Nukes? Iran should get them anytime it pleases.

The book, to put it charitably, received mixed reviews, and pieces of it today read even more strangely than they did in 2008, especially in light of the collapse in oil prices; Iran's corrupt, ramshackle, poorly performing statist economy; and the deep unpopularity of its regime, which was exposed to the world when the Iranian Green Movement erupted in 2009, a year after Baer's book was published. Nonetheless, this book faithfully reflects Obama's mind-set: The U.S. should step aside and let history take its course, i.e., let Iran dominate the entire Middle East.

Of course, other countries may wish to demur. Prime Minister Bibi Netanyahu's stunning electoral victory in Israel demonstrates that the Israelis won't passively accept Obama's weird worldview. Neither will Egypt, Saudi Arabia and Turkey. Among the possible consequences of Obama's historically feckless course: a nuclear arms race, the consequences of which are too ugly to contemplate.

Obama has the same passive view regarding Vladimir Putin's seizure of Crimea and the Kremlin's slow war against Ukraine. He remains oblivious to China's long-term goal of prying South Korea away from its U.S. alliance and to Japan's likely reaction to Beijing's regional assertiveness.

Despite Obama's deep belief that the U.S. has been a malignant force in the world and that we should now behave as if we were Albania, the world will not cooperate, any more than it did in the 1930s or 1970s.

THIS GIANT WILL BE MISSED

LEE KUAN YEW was one of the great statesmen of the post-WWII era. He made Singapore an economic powerhouse, demonstrating that so-called natural resources aren't necessary for prosperity, that the key is creating an environment in which human ingenuity can thrive. He didn't tolerate corruption; to eliminate the temptation and attract

MUNSHI AHMED/BLOOMBERG NEWS

capable people, Lee paid government officials high salaries. He kept a tight grip on spending and pushed down taxes; the top rate on personal incomes is all of 20%. He knew the folly of weak money; the Singapore dollar looks like the Rock of Gibraltar compared with most currencies—including the U.S. dollar, most of the time.

Lee simultaneously demonstrated

In an interview with SF, Lee Kuan Yew enlightens delegates at the FORBES Global CEO Conference in 2006.

Lee helped us launch our first global summit in 2001. On the right is Forbes chairman and former Defense Secretary Cap Weinberger.

that sound finance can coexist with soundly thought out social programs. He pursued a vigorous housing program that enabled people who didn't earn high incomes to buy their homes; his was a model for how subsidies need not lead to the housing-related disasters that have plagued the U.S. Singapore's health care system has provided comprehensive coverage to its people without the rationing, high costs and dicey care that characterize so many others. Singapore's pension system avoided the pay-as-you-go trap that is hurtling those in other countries toward insolvency.

Under Lee's guidance Singapore developed a real-life playbook for how an impoverished country can flourish. When Lee became prime minister in 1959, Singapore's per capita income was little more than \$400. Today it is over \$56,000, higher than that of all but a handful of other countries.

Critics will tell you that Lee was no Jeffersonian democrat, and he wasn't. But he allowed elections, even if he didn't give the opposition a lot of breathing room (though if he had, he would have won handily). More important, under his leadership Singapore developed a thriving middle class, along with the civic institutions and habits that are crucial to a sustainable democracy. Too many times we've seen that merely holding an election does not a lasting democracy make. Singapore's political system is evolving in a way that bodes well for long-term stability.

Early in his political career Lee shed his socialist sympathies and became a hardheaded pragmatist. He ruthlessly suppressed communist attempts to hijack his political party, even though he had made common cause with them in the fight for independence, when Singapore was a British colony.

In the 1950s and 1960s Lee demonstrated superb political skill in maintaining Singapore's independence in the face of real hostility from two immensely larger neighbors, Indonesia and Malaysia.

But Lee's influence extended far beyond his small country. One wishes he could have been the leader of a country like Indonesia or China. (He would have conducted U.S. foreign policy better than almost all of our Secretaries of State.) He supported U.S. efforts in trying to save South Vietnam from communist takeover by the North. Although the U.S. lost that war, Lee argued that our long effort gave the rest of Asia the time needed to develop the strength to resist communist takeovers. He strongly supported a robust U.S. role in the region as a counter to the old Soviet Union and China.

I got to meet Lee, thanks to our chairman, Cap Weinberger. When Cap was Secretary of Defense, he worked closely with Lee and considered him a stalwart ally, whose insight and advice were extremely valuable and who provided enormous practical help during the Cold War.

To listen to Lee talk about the world situation was an enlightening delight. During one of our most memorable visits he recounted the story of his meeting with Deng Xiaoping soon after Deng had won the reins of power and was mulling how to go about rebuilding China in the aftermath of Mao's horrific Cultural Revolution. Deng's trip to Singapore in 1978 was his first and only trip there. He was stunned by what he saw in Singapore: a booming area populated by Chinese that was independent and politically stable. "How did you do it?" Deng asked Lee. Deng threw aside his itinerary and spent hour after hour in intense conversation with Lee.

When Deng returned to China, he began putting Lee's precepts to work, creating special Singapore-like economic development zones along China's coast. Thus was China's historic and rapid modernization set in motion.

One of our journalistic coups occurred in 2001, when Lee Kuan Yew kindly accepted our offer to become a FORBES columnist, agreeing to share his insights with our audience every three months.

It's so unfortunate that the civilized world has lost such a wise voice at this troubled time. F

GLEN DAVIS


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LeaderBoard April 13, 2015

Superstar tech investor Yuri Milner operates globally, plowing $5 billion into startups across the U.S., China and Europe. Such reach has its downside, though. "When you travel 200 days a year," he says, "you get the strange feeling that you don't belong anywhere."

PAGE 22

ERIC MILLETTE FOR FORBES

Forbes LeaderBoard

SPORTSMONEY

Major League Bucks

IN FEBRUARY, three years after the Los Angeles Dodgers sold for a record $2 billion, the Ricketts family sold chunks of the Chicago Cubs that valued the team at $1.8 billion. Sign of a market peak? Doubtful. Baseball insiders say potential minority investors in the Dodgers now value that franchise at close to $3 billion; pieces of the San Francisco Giants suggest a $2 billion valuation for the champs.

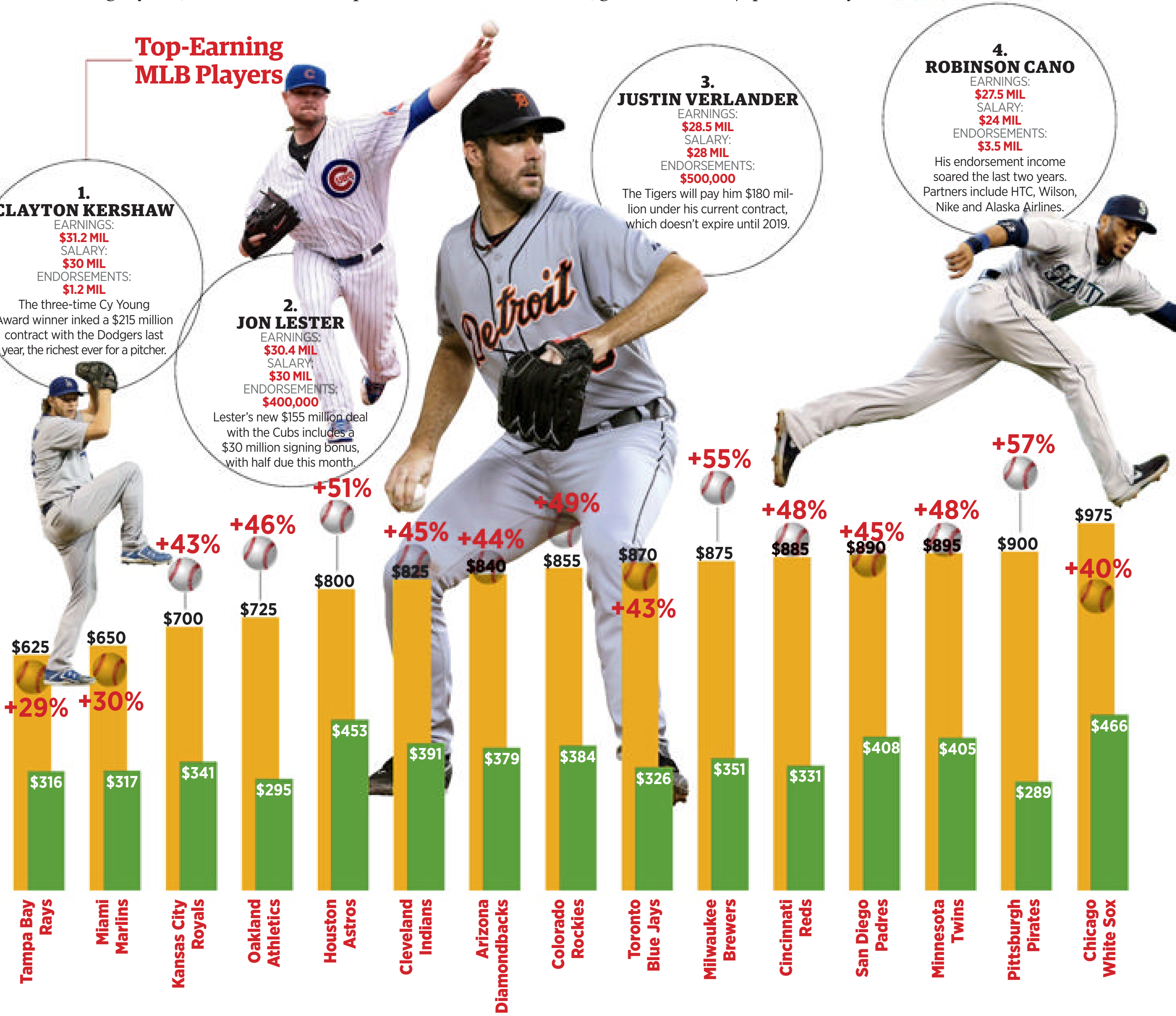
The average MLB team is now worth $1.2 billion, 144% more than five years ago, thanks mainly to television revenue. The league's current broadcasting deals, which began last season, will pay $12.4 billion over eight years, more than twice its previous contracts. For more, go to forbes.com/sportsmoney.

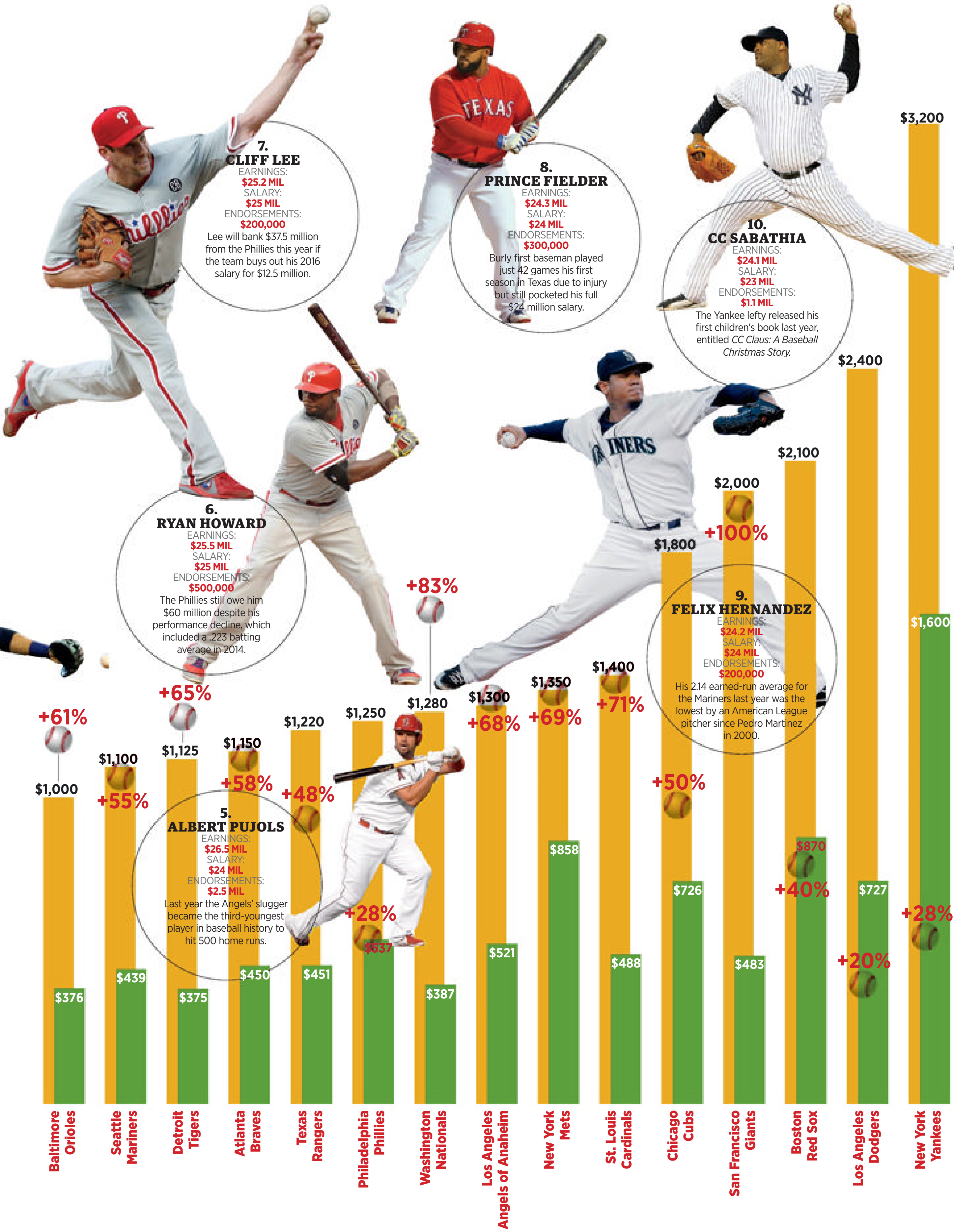
MLB Team Values

1-YEAR CHANGE (%)

CURRENT VALUE ($MIL)

VALUE 5 YEARS AGO ($MIL)





BY MICHAEL K. OZANIAN, KURT BADENHAUSEN AND CHRISTINA SETTIMI

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LeaderBoard

MICHAEL JORDAN
+$100 MILLION
NET WORTH: $1 BILLION
His Airness' nine-figure 2014 earnings were more than any other athlete's, retired or active.

NEW BILLIONAIRES

A Touch Of Glass

Led by the mobile-screen tycoon who is now one of her country's richest women, China's billionaire ranks jump by 23.

CHINA'S SHENZHEN Stock Exchange has been on a tear of late: In the five weeks following FORBES' Feb. 13 cutoff for our 2015 list of the world's wealthiest individuals, the index rose 18%, minting 23 new Middle Kingdom billionaires *(see table, right)*. That brings the number of ten-figure fortunes in the country to 235; the United States, with 533, is the only nation home to more.

The richest newcomer is Zhou Qunfei, 44, whose Lens Technology supplies touchscreen glass for Apple and Samsung phones and tablets. Zhou reportedly worked in glass factories from a young age, and Lens Technology, which she founded in 2003, now has more than 60,000 employees.

The company's public offering on the Shenzhen Exchange was Mar. 18; Zhou's 88% stake is worth $3.8 billion. She joins a highly elite group: Of the 202 female billionaires worldwide, only 31 are self-made.

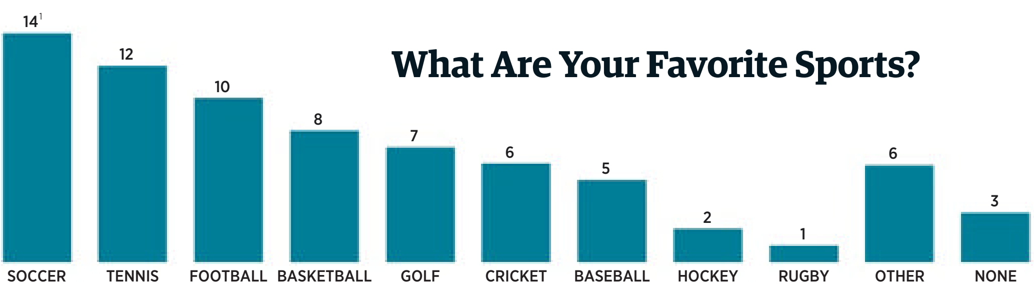
Great Leap Upward

	NET WORTH ($BIL)[1]	COMPANY | INDUSTRY
ZHOU QUNFEI	$3.8	Lens Technology | glass covers for cellphones
WU JIANSHU	$1.5	Ningbo Tuopo Group | auto parts
AO XIAOQIANG	$1.4	Beijing SDL Technology | environmental monitoring
HUANG QIAOLING	$1.4	Songcheng Performance Development | theme parks
ZHENG XIAODONG	$1.3	Shanghai Tofflon Science & Technology | industrial machinery
CHEN JIANCHENG	$1.2	Wolong Holding Group | motor production
CHEN QINGZHOU	$1.2	Hytera Communications | mobile radios
CHEN DAKUI	$1.2	Zhongcheng Packing Material | shrink-wrap
ZHOU FUHAI	$1.2	Jiangsu Asia-Pacific Light Alloy Technology | aluminum products
LIANG SHEZENG	$1.2	Guangdong Shirongzhaoye | real estate
FAN WEI	$1.1	Fosun Group | conglomerate
WANG QUNBIN	$1.1	Fosun Group | conglomerate
ZHANG KAIYUAN	$1.1	Beijing SPC Environment Protection Tech | gas desulfurization plants
ZHOU YUNJIE	$1.1	ORG Packaging | containers and packaging
PANG SHENGDONG	$1.1	Shanghai 2345 Network Holding Group | tech services
HE ZHITAO	$1.1	Hangzhou Liaison Interactive Information Technology | tech services
FAN JIANGANG	$1.0	Changshu Fengfan Power Equipment | equipment manufacturing
CHEN YANSHENG	$1.0	Rastar Group | toys and games
CHEN BAOZHEN	$1.0	Wangsu Science & Technology | Internet service provider
CAO RENXIAN	$1.0	Sungrow Power Supply | solar-power equipment
REN JIANHUA	$1.0	Hangzhou Robam Appliances | home appliances
WANG DONGHUI	$1.0	United Electronics | tech services
ZHANG WANZHEN	$1.0	Chaozhou Three-Circle Group | electronics and ceramics

[1]All net worths calculated as of market close on Mar. 20.

ASK 50 BILLIONAIRES

What Are Your Favorite Sports?



[1]More than one answer possible.

NEW BILLIONAIRES BY KERRY A. DOLAN AND RUSSELL FLANNERY
AP (TOP); IMAGINECHINA (BOTTOM); VALERIE LOISELEUX/GETTY IMAGES

FOUR POINTS
BY SHERATON

TRAVEL RE-INVENTED

With 200+ hotels in more than 30 countries, we're everywhere you want and need to be. With an authentic sense of the local and an always-approachable service, we offer what matters most to keep you comfortable and connected. This is effortless style, with the essentials done right.
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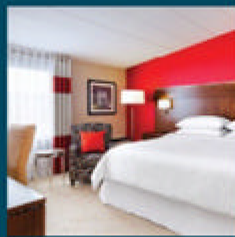
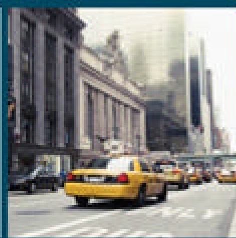
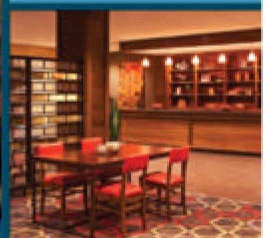


7:05 am
Post-workout breakfast in the room.

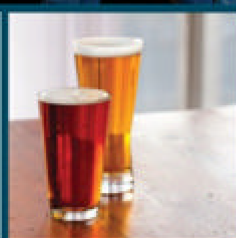
8:00 am
Cab it to a meeting. Take a conference call on the way.



6:15 pm
Meet the team for dinner.



7:40 pm
Kick back, relax with beers and the game.



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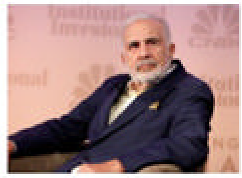
CARL ICAHN

–$1.1 BILLION

NET WORTH: $22.3 BILLION

The activist's activist is a victim of cheap oil: His investment fund was down 7.4% last year, his first yearly loss since 2008.



FOLLOW-THROUGH

Silicon Savant

OUR MAR. 28, 2011 cover story told of Russian Yuri Milner's leap into the billionaire ranks via huge bets on Facebook, Groupon, Twitter and Zynga. Soon after, he moved offices to Hong Kong and began plowing half of his DST Global fund into Chinese startups. The physicist and entrepreneur (his Mail.ru, founded in 1998, became Russia's largest Web portal) turned $5 billion of invested capital into $19 billion in five years—and he now tells FORBES he's refocusing on America. (He's already in Airbnb and Snapchat.) One U.S. deal he missed: Uber. "That was a big mistake," he says. "I have not been sleeping well."

EARLY 2011
DST begins assembling a $750 million stake in online retailer Jingdong. Value today: $3 billion.

LATE 2011
Puts an estimated $500 million into e-commerce giant Alibaba for a $2.5 billion gain.

EARLY 2012
Starts assembling a 7% stake in smartphone maker Xiaomi, now worth $3.2 billion.

NOVEMBER 2013
DST invests as part of a $57 million round in Lending Club, reportedly tripling its money post-IPO.

MAY 2014
Leads a $210 million round in Indian e-tailer Flipkart.

30 UNDER 30

Secret Keepers

Protecting your valuables with the FORBES 30 Under 30, in 30 words or less.

Antonio Arocha

NUVE | 30

Arocha's company makes sensor-based security systems that prevent fuel theft from tankers traveling cross-country by truck and train. Next: adapting those networks to protect oil pipelines.

Jay Kaplan

SYNACK | 29

The NSA alum scored $25 million from investors betting on his approach of rewarding researchers based on the size of the security vulnerabilities they expose.

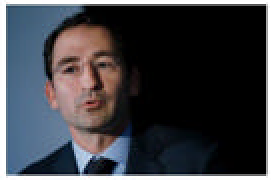
Yan Zhu

YAHOO | 23

She developed Yahoo's strong e-mail encryption and is vocal about discouraging young STEM professionals from joining the NSA.

FOLLOW-THROUGH BY PARMY OLSON; 30 UNDER 30 BY KATHRYN DILL
HEIDI GUTMAN/CNBC/GETTY IMAGES (TOP); ERIC MILLETTE FOR FORBES; ILLUSTRATIONS BY PATRICK WELSH

JONATHAN GRAY
+WILLIS TOWER
NET WORTH: $1.9 BILLION
Chicago kid, now Blackstone's real estate boss, leads purchase of the famed 110-story skyscraper for $1.3 billion.

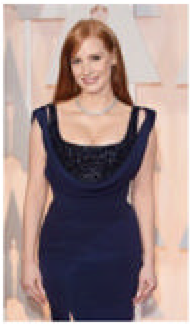


PROVENANCE

205 West 57th Street, 4B

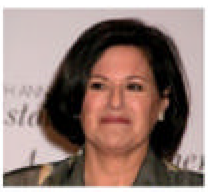
From Leonard Bernstein to Jessica Chastain, the West Side story of a glamorous Manhattan co-op.

ADD *INTERSTELLAR*'s Jessica Chastain to the galaxy of stars who have lived in apartment 4B at 205 W. 57th St. in New York City. In March the Oscar-nominated actress and her boyfriend paid $5.1 million for the four-bedroom duplex in the Osborne—a 130-year-old landmark building opposite Carnegie Hall—that was once home to Leonard Bernstein, legendary vocalist Bobby Short and Tony-winning composer Adam Guettel. Some other high notes:



2015
Chastain and her boyfriend, Italian fashion exec Gian Luca Passi de Preposulo, purchase the nine-room apartment. But they'd better keep the music low to avoid bothering even the famously Zen New York Knicks president, Phil Jackson, who's downstairs—he paid $4.85 million for Apartment 3B last August.

2009
Another composer moves in when Adam Guettel, who won two Tonys for *The Light in the Piazza,* buys 4B from Syms for a reported $3.5 million.



1986
Marcy Syms, heir to an off-price clothing empire (Syms, Filene's Basement), buys the place from Short and restores the wood paneling and Tiffany glass windows.

1970
The 3,200-square-foot pad goes musical again when Storch sells it to cabaret singer Bobby Short. Neighbors enjoy hearing him practice piano but don't appreciate that he paints over the apartment's mahogany doors.

1961
Built in 1885, the Osborne—with its John La Farge murals and Tiffany glass—goes co-op when tenants buy the building for $2.5 million (about $19.5 million in today's money). Among them is Leonard Bernstein, who lives in 4B and also rents a studio in the building, where he reportedly composes portions of *West Side Story.*

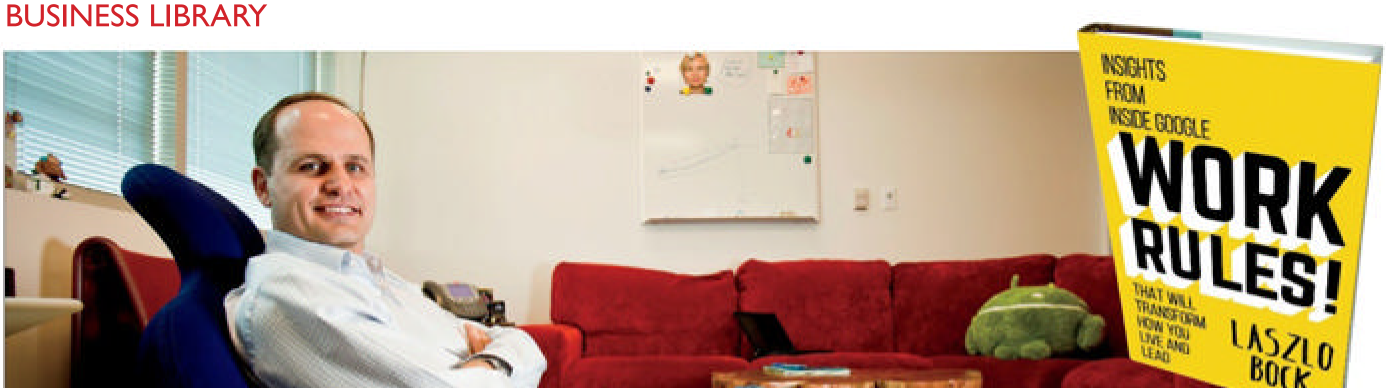
EARLY 1960S
Bernstein sells the apartment to actor Larry Storch (of *F Troop* fame) and moves to the Park Avenue penthouse in which he'll famously host a 1970 party for the Black Panthers.

BY MICHAEL SOLOMON
THE NEW YORK HISTORICAL SOCIETY / GETTY IMAGES; JASON MERRITT / GETTY IMAGES; RICK MACKLER / ZUMAPRESS / NEWSCOM; RICHARD E. AARON / REDFERNS / GETTY IMAGES; ABC PHOTO ARCHIVES / GETTY IMAGES; PICTORIAL PARADE / GETTY IMAGES; VICTOR J. BLUE / BLOOMBERG

LeaderBoard

ROBERT DUGGAN
+$930 MILLION
NET WORTH: $3.6 BILLION
When he was named Pharmacyclics' CEO in 2008, it was worth $53 million. Now, one blockbuster leukemia drug later, it sells to AbbVie for $21 billion.

BUSINESS LIBRARY



Beyond Beanbags

A new book from Google's HR chief explores the data-driven strategies—not the quirks and perks—that make his company the best place to work in America *(see p. 92).*

MANAGEMENT BOOKS tend to be windy affairs stuffed with bromides about teams (there's no "I" in them, have you heard?) and insipid advice about keeping track of your cheese or harnessing the power of the discipline of the art of the habits of highly effective people.

Thus it's nice to report that Laszlo Bock's *Work Rules!: Insights From Inside Google That Will Transform How You Live and Lead* delivers on its promise. Befitting a volume written deep within the algorithm factory, *Work Rules!* is dense with data and counterintuitive conclusions for anyone looking to make the workplace a better place. "People come visit Google all the time, then go install lava lamps and beanbags," Bock says. "What's missing is 'Here's the handbook for how you make the magic happen.'" A few of our favorite rules:

4
Optimal number of times a candidate should be interviewed. Google once interviewed candidates as many as 25 times. Yet data show that an employee can be hired with 86% confidence after 4 interviews; each subsequent meeting adds just one predictive percentage.

100
Percent of Google staff who are paid unevenly, regardless of title. Compensation tracks individuals' contributions, rather than rank, even if that means they're outearning their peers.

0
Number of times an opening should be posted on public job boards. The best candidates already know where they want to work—they aren't scouring job postings.

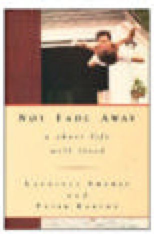
10
Seconds it takes to make a subconscious—and often incorrect—decision about whether to hire someone. Google subverts those snap first impressions by providing hiring managers with an "interview guide" full of "prevalidated" questions that have historically proven effective in identifying potentially great hires.

GOOGLE BOOK BY KATHRYN DILL; MIDAS BOOKS BY BRUCE UPBIN
PETER DASILVA / THE NEW YORK TIMES / REDUX; CHRISTIAN PEACOCK (TOP)

Gold Standards

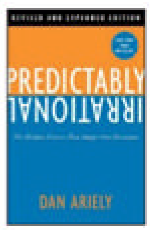
Three members of our Midas List *(see p. 68)* pick the one book every entrepreneur should read.

Chris Sacca
LOWERCASE CAPITAL
Not Fade Away: A Short Life Well Lived
By Laurence Shames and Peter Barton



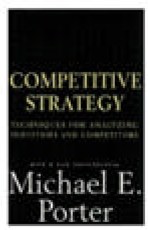
"You'll cry. That's okay. When you're finished you'll think about your life. Will you strive to be successful? Or will you go beyond that to have true and lasting impact on your family, friends and the world we all share? Our time is so short. Go."

Danny Rimer
INDEX VENTURES
Predictably Irrational: The Hidden Forces That Shape Our Decisions
By Dan Ariely



"If your job is to try to predict what attracts customers, this book is critical. It encapsulates lateral thinking—repeatedly demonstrating how we, as humans, consistently act differently from what would be expected."

Bill Gurley
BENCHMARK
Competitive Strategy: Techniques for Analyzing Industries and Competitors
By Michael E. Porter

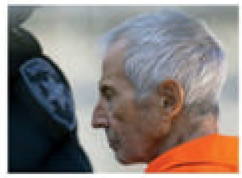


"There's a shortage of knowledge of basic business fundamentals these days. Everyone needs a foundation."


kindlevoyage
amazon

LeaderBoard

DURST FAMILY
+MURDER CHARGE
NET WORTH: $4.4 BILLION
L.A. prosecutors charge disowned real estate heir Robert Durst after HBO microphone catches him muttering that he "killed them all, of course."

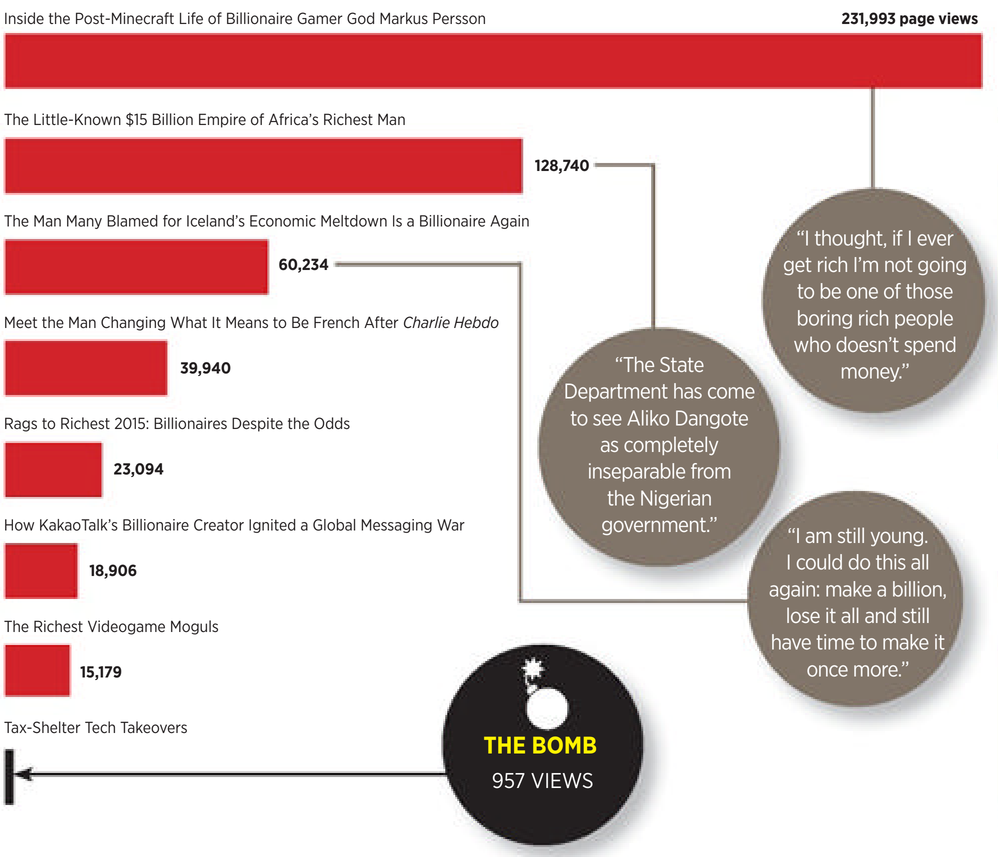


CONVERSATION

OUR MAR. 23 annual roundup of the world's billionaires generated plenty of impassioned commentary: awe at the sheer scale of the numbers, of course, but also varying degrees of concern about concentrating so much wealth in so few hands. "Such extreme inequality should concern us all," said Nick Bryer, Oxfam's policy head in the United Kingdom. "Not only because it is a moral outrage but because it is undermining growth and creating one of the most significant barriers to ending poverty." CBS News (among others) noted the "humble beginnings" of many on a list heavy with self-made fortunes, though, and economist Jeffrey Dorfman, contra Oxfam, boiled it down to dynamic entrepreneurial capitalism: "Few become billionaires by exploiting others," he tweeted. "Most get rich through millions of happy customers."

THE INTEREST GRAPH

Life imitates art—or videogames, at any rate: Minecraft creator Markus Persson was far and away the most popular billionaire in an issue full of 1,826 of them.



BEHIND THE BILLIONS

After our annual ranking of the world's wealthiest was published, wealth reporter Chase Peterson-Withorn, who helped research and compile FORBES' 2015 Billionaires list, hopped on Reddit for an "Ask Me Anything" chat.

MATADERO Has anyone on the Billionaires list attended community college or received no higher education?

FORBES Quite a few: John Paul DeJoria, Richard Branson and Leonardo Del Vecchio never attended college. Not sure how many went to community college, though Ross Perot did.

GOLDNUKE With many individuals going to great lengths to keep their finances discreet, how does FORBES calculate net worth?

FORBES Public companies are required to disclose information. Private companies can be trickier. We try to determine the value of every asset and use only what we can prove; we also always give the billionaire a chance to provide input.

PASTRIES How many billionaires do you think aren't on the list, whether due to secrecy or lack of evidence?

FORBES There are surely some, but we uncover new billionaires all the time. It's hard to amass that much money and hide its source or where it's parked without drawing attention.

BY MEHRUNNISA WANI
TOP: CHUCK BURTON / AP

ONE CATASTROPHE AT A TIME

A NUMBER of commentators have recently declared that the world is a more dangerous place today than they can ever remember it being. Is it? The biggest danger, theoretically, would be a full-scale nuclear war among the great powers, and there seems to be no sign of that.

The two most powerful states, the U.S. and China, are firmly set on a peaceful course of national accumulation and put increasing their prosperity ahead of any other objective. President Obama is eager to disengage the U.S. from any global commitment that might involve him, however remotely, in a confrontation with either China or Russia. He's even come within measuring distance of stating that if Russia attempts to recreate the Soviet empire, Europe will have to deal with it.

The war in Ukraine is bogged down, and Russia has been badly hit by the double punch of Western sanctions and the huge drop in oil prices. Russia is the only major power whose standard of living is actually falling, but Russian opinion is curiously impervious to a drop in spendable incomes, especially if it can be blamed on the West. However, that doesn't mean Putin can afford to take more risks. Any further encroachments in Ukraine would bring much bigger risks and disproportionately small gains. Putin's own position, which depends on balancing power centers among the Moscow elite, is far from secure, as his curious disappearances and reappearances from public view suggest.

In comparison, China's elite is almost entirely preoccupied with internal matters, particularly the economy. China's ascent has been almost without precedent in modern world history, and slowing the economy down will continue to be tricky. China's enormous middle class has only just begun to enjoy spending its savings on foreign travel, imports of nonessentials and buying bigger houses. The kind of contraction in middle-class spending power that any increase in armaments or expansion of the Red Army would entail is presently out of the question.

China already has an alarming worry on its doorstep: Japan has started to think seriously about its future as a military power. Following WWII, Japan renounced nuclear weapons and stated that it would never again seek to resolve its problems by military means. This was the pacific background to Japan's incredibly swift economic upsurge, which, until a few years ago, had made it the world's second-largest economy.

The fact that China has overtaken Japan has given many Japanese reason to rethink this position. Japan and China have many minor yet irritating and potentially explosive disagreements, which China could easily "solve" by force, if it so chose. The dynamics would change should Japan decide to renounce its self-imposed arms limitations, which lately it seems inclined to do—especially if doing so could lift Japan out of the deflationary dead end into which it subsided 20 years ago. This scenario is likely to absorb much of China's attention for the next few years.

PATIENCE YIELDS REWARDS

What about Europe? If the U.S. continues to pursue Obama-style politics, leaving Europe saddled with its own defense, the EU is unlikely to continue in its present form. In any case, changes are inevitable. In the U.K. the Tories look set to remain in power after the May elections and will push ahead with the proposed referendum on Europe. If the Euroskeptics win, Britain's relationship with the EU will become much looser, especially financially. In France it looks as though Marine Le Pen will win the next election; she will demand a loosening of ties. Her example will be widely followed, at which point the EU will revert to Charles de Gaulle's formula of "*l'Europe des patries.*" This, in turn, will mean a lowering of tension in the part of the world where Europe still carries weight. For there is nothing more dangerous than an unstable and internally riven supranational entity, and anything that will defuse the European pseudo-supernation is welcome.

What happens with the EU may well have an effect on attempts within Islam to create a superstate on a similar model. The chances of building such a state by physical force, à la ISIS, have never been strong. The horrific extremes of ISIS are alienating Muslim opinion to the idea of an Islamic emirate, let alone a grandiose sultanate or Ottoman-style empire. I've always believed that the West's best course is to exercise patience, while taking all the necessary steps to combat terrorism. I prophesy that in a year the end of the extremists' terror threat will be in sight and that we'll be able to turn our attention back to other nightmares, real or imaginary, such as climate change.

THOMAS KUHLENBECK FOR FORBES

PAUL JOHNSON, EMINENT BRITISH HISTORIAN AND AUTHOR; DAVID MALPASS, GLOBAL ECONOMIST, PRESIDENT OF ENCIMA GLOBAL LLC; AND AMITY SHLAES, WHO SERVES AS PRESIDENTIAL SCHOLAR AT KINGS COLLEGE AND CHAIRS THE COOLIDGE FOUNDATION BOARD, ROTATE IN WRITING THIS COLUMN. TO SEE PAST CURRENT EVENTS COLUMNS, VISIT OUR WEBSITE AT WWW.FORBES.COM/CURRENTEVENTS.

THINK (REALLY!) SMALL

SOCIALISM WORKS! So wrote management guru Tom Peters, in FORBES ASAP, in the 1990s. You scoff? Okay, you're half right. Socialism works, but only in very small numbers. It doesn't scale.

The same is true of teams in business. Think of any typical ones: research, a product invention, a marketing launch or a sales campaign. A team of people happily committed to the project and to one another will outperform a brilliant individual nearly every time. But the team must be small—really small—or it will get in its own way.

This isn't a new idea. In Roman times a squad was made up of soldiers who could effectively hear their commander's orders during the clash of battle. The squad's size—eight—was defined by the number of soldiers who could share a standard tent. Two thousand years later Amazon's founder and CEO, Jeff Bezos, speaks of the "two-pizza rule" as the guidepost for team size. "If it takes more than two pizzas to feed the team, the team is too big," Bezos likes to say.

Is it a coincidence that Roman legion squads and Amazon's strike teams are of similar size? No. The very nature of the human brain—in particular, short-term memory—revolves around what psychologist George Miller famously called "the magical number seven, plus or minus two." That is, human short-term memory is capable of capturing and briefly holding between five and nine items of information. Think of Zip codes. The brain has a limited repertoire of tricks to enhance that power. (One of them is "chunking" small clusters of data, such as the way we see telephone numbers as a three-digit area code, a three-digit local prefix and a four-digit direct number at the end.)

This means the optimal size of small teams is the same as the effective range of short-term memory in our brains. Our minds seem to work best in that zone of seven, plus or minus two. Below that, the team often devolves into pairs or trios; above that, team communication begins to break down. But why, exactly, does it break down beyond the two-pizza-size team?

HARD MATH OF IMPOSSIBLE CONNECTIVITY

The answer lies in the mathematics of networks. To understand the magnitude of this effect, let's look at the smallest number of connections in a team and progress forward, showing the total number of connections:

2 members = 1 connection
3 members = 3 connections
4 members = 6 connections
5 members = 10 connections
6 members = 15 connections
16 members = 256 connections
32 members = 1,024 connections

Notice that after the low-digit numbers the equation settles down into N^2, with N representing the number of team members. The complexity of the network grows far faster than the number of team members does. At 1,500 team members—the typical size of a $500 million (revenue) company or division—the number of interconnections reaches 2.25 million. And that creates an obvious problem. Human beings can only handle, much less maintain, much smaller numbers of connections. That's why, as the number of team members grows, relationships degrade quickly.

Most of us are good at staying in contact with five or six other people on a constant basis. But doing so becomes a whole lot tougher with a dozen or more. At 50? Fat chance. Not even those rare individuals who have photographic memories for faces and names are able to stay in touch with a team that size in the same way they can with one made up of only a half-dozen others. Despite the tools of social networks, texting and videoconferencing, we still don't have the time or the bandwidth to continually maintain hundreds or thousands of close, personal connections.

That's why bigger teams almost never correlate with a greater chance of success. That's why socialism fails beyond a dozen or so people. It has nothing do to with ideology and everything to do with the hard math of impossible connectivity.

RICH KARLGAARD IS THE PUBLISHER AT FORBES. HIS NEW BOOK, *TEAM GENIUS: THE NEW SCIENCE OF HIGH-PERFORMING ORGANIZATIONS*, COMES OUT IN JULY. FOR HIS PAST COLUMNS AND BLOGS VISIT OUR WEBSITE AT WWW.FORBES.COM/KARLGAARD.

June Cruise

THOMAS KUHLENBECK FOR FORBES


YOU
+
IRA

BUSINESS CAN BE BETTER WHEN YOU CAN SEE RISK COMING.
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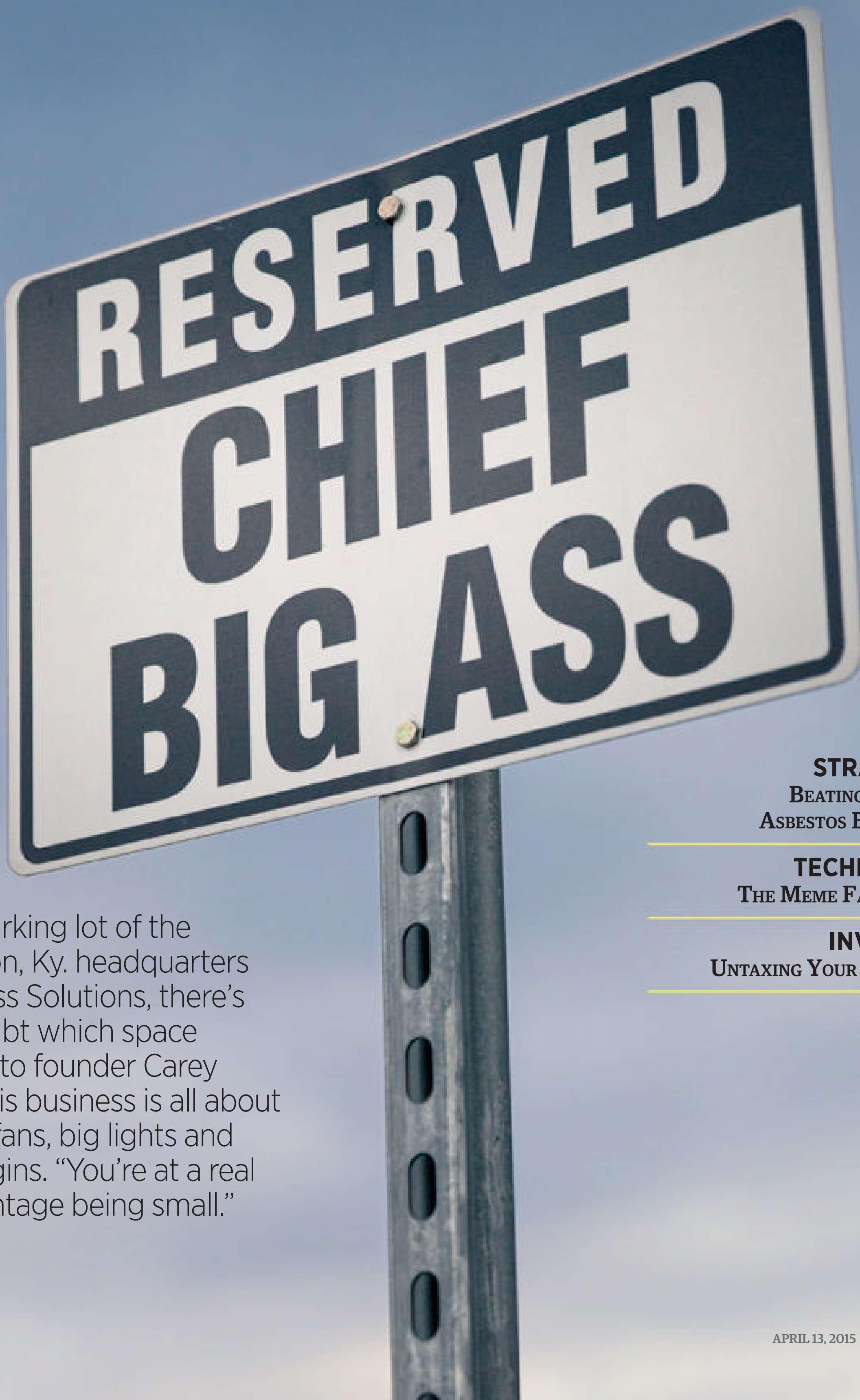

STEPHEN WEBSTER FOR FORBES

In the parking lot of the Lexington, Ky. headquarters of Big Ass Solutions, there's little doubt which space belongs to founder Carey Smith. His business is all about big: big fans, big lights and big margins. "You're at a real disadvantage being small."

PAGE 46

Compass Group USA

200,000 Associates, 20 Businesses and Never a Reason to Leave

From its headquarters in Charlotte, North Carolina, Compass Group USA is a family of companies providing food and support services across all 50 states and in every setting—from cultural arts centers to oil rigs, school dining to corporate cafes, hospitals to sports arenas, vending to the entertainment industry's most iconic events.

"Growing great people and building great companies is what we do," says Gary Green, chief executive officer. "Because of our scale, stability and size, we believe we can offer associates and prospects the most career opportunities of any company in culinary and hospitality. What we say here—and we mean it—is that there is really never a reason to leave Compass Group."

Accolades and Opportunity

Compass Group continues to earn "best places to work" honors, and the wealth of opportunity available company-wide for all employees is a key reason.

There's a place for Compass Group employees to grow and thrive in any part of the culinary or hospitality business, says Gary Snyder, chief people officer. "If they want to work at the Oscars or the US Open, we can make that happen. If they want to serve in a cultural institution in their community, we probably do catering there. If they are interested in working in higher education or a public school setting, we can do that."

"We appreciate the power of diversity and inclusion, and our company's business model demonstrates that," says Green. "To us, diverse culture reflects more than gender, ethnicity, nationality or religion. It means appreciating differences when you come into an organization, understanding the culture of the company and the culture of our clients. From the beginning of their career at Compass Group, associates learn about different dimensions of diversity and inclusion, and why it is critical to our business."

Entrepreneurial Culture

Unlike competitors that use one-market approach across all industry segments, Compass Group promotes an entrepreneurial approach.

"We build companies and let them operate as they see fit across whatever subcomponent of the industry they are in," says Green. "The entrepreneurial spirit and culture in a sporting venue, for example, will be different from that of a healthcare setting."

Snyder points out that many of the founders of the businesses under the Compass Group banner are still involved. That includes Fedele Bauccio, co-founder and CEO of Bon Appétit Management Company, who was named Ernst & Young Entrepreneur of the Year™ in the National Retail and Consumer Products category last year.

Innovation and Sustainability Practices

Farm-to-fork sustainable supply chain programs, support of family farms, human rights advocacy for farm workers, farm animal welfare and responsible seafood harvesting are among the innovative programs that instill a sense of pride company-wide. "Our leadership in these areas helps us attract and retain associates," says Snyder.

There's also innovation in the career flexibility Compass Group offers. "We have the ability to attract, train, develop and move people anywhere they want to be in our industry," says Snyder.

The strategy works, he adds. "The number of employees with 30 to 50 years of service across all our businesses is staggering. They can find a lifelong career with us."

Learn more about careers at
Compass Group USA
www.compassgroupcareers.com

As the sixth-largest employer in the world, Compass Group is the leader in foodservice management and support services. Compass Group USA offers opportunities for talented individuals in many marketplaces across the United States. With FY2014 revenues of $13.6 billion, the company's career opportunities continue to grow.


Serving 8 million
Experiences Every Day
At Compass, a meal is more than the amazing food on the plate. It is an experience of unmatched quality and hospitality that delights as much as it satisfies. That's why we are the biggest foodservice and support services company in North America serving 8 million meals and cleaning 1 billion square feet of space a day. We invest in and grow companies that lead our industry by rapidly innovating, developing deep expertise and creating incomparable experiences in sectors like education, cultural institutions, corporate dining, healthcare facilities, event catering and professional sports arenas.
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COMPASS
GROUP

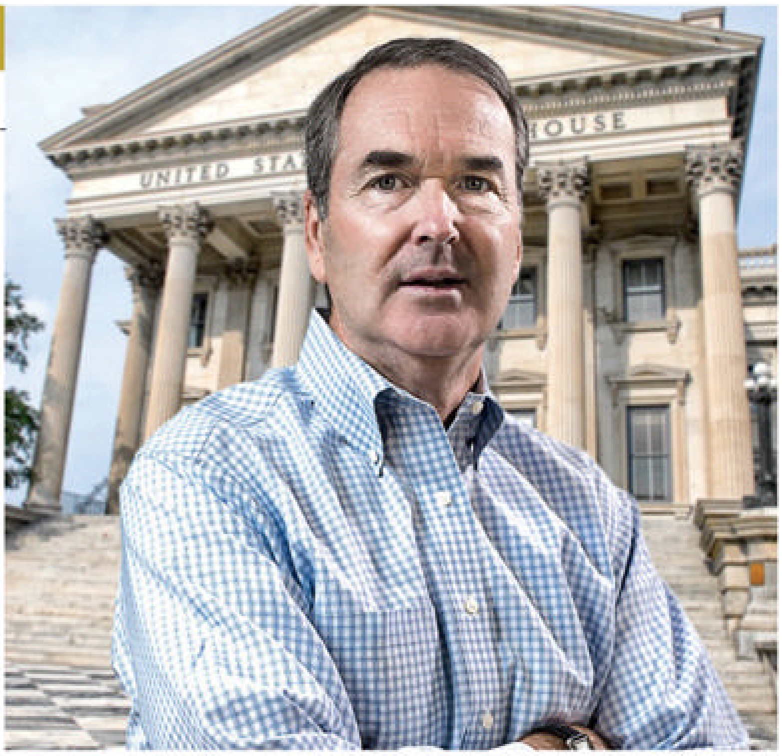
STRATEGIES

ON THE DOCKET

The Blame Game

Asbestos lawyers were milking billions from American industry by allowing their clients to misrepresent their exposure. They got away with it for years, until an obscure, bankrupt gasket company refused to play ball.

BY DANIEL FISHER



Steve Macadam, the little CEO who stared down the big, bad asbestos lawyers.

DAVID SMITH FOR FORBES

In a quiet bankruptcy court in Charlotte, N.C., closed to all but court personnel and people who'd signed strict confidentiality orders, attorney Garland Cassada laid out the inner workings of one of the longest-running and most lucrative schemes in the American litigation business.

Arguing for a manufacturer of asbestos gaskets named Garlock Sealing Technologies, Cassada explained how lawyers had tailored the testimony of their clients to minimize their exposure to more dangerous products, thus making Garlock seem more liable than it really was.

Cassada's evidence for this scheme came from the mouths of the asbestos lawyers themselves. In an unprecedented move Garlock had persuaded U.S. Bankruptcy Judge George Hodges to allow it to dig into case files and question the lawyers who'd helped drive the company into bankruptcy.

That led to revealing disclosures like that of Benjamin Shein, a prominent Philadelphia asbestos attorney whose firm had settled the case of a former shipyard worker named Vincent Golini against then-solvent Garlock in 2009.

Golini was dying of the excruciating, asbestos-linked cancer known as mesothelioma when he sued Garlock and testified that he couldn't recall working with other, more common and more hazardous products like Owens Corning's Kaylo pipe insulation or EaglePicher asbestos cement. As soon as he settled, however, Golini's lawyers filed claims against those precise companies—based on affidavits they'd drawn up before Golini professed ignorance of their products.

"Our goal is to maximize a client's recovery, okay, and in order to do that, what we focus on for the deposition is the viable, nonbankrupt companies," said Shein in his own deposition. "That's our job, okay?"

And had the asbestos lawyers prevailed, Shein's efforts and Golini's multiple filings would have remained secret. But thanks to Garlock's persistence the evidence has come spilling out. That evidence could be the biggest turning point in the decades-long multibillion-dollar battle over who will pay for asbestos cleanup across the U.S. Garlock is suing Shein and lawyers at five other firms for racketeering and fraud over their asbestos litigation. Shein's lawyer, Daniel Brier, says that "Ben Shein is a zealous advocate for his clients" and the lawsuit has no merit.

"More justice was done in the Garlock bankruptcy than in all the previous bankruptcies put together," says Lester Brickman, a professor at Yeshiva University's Cardozo School of Law and a paid expert for Garlock, whose research revealed how asbestos lawyers were gaming the system. "There's rampant fraud in every one of those cases."

It wasn't supposed to turn out this way.

Garlock had been a bit player in the asbestos saga throughout the 1980s and 1990s, settling mesothelioma cases for a few thousand dollars apiece, but by the early 2000s bigger asbestos manufacturers like Johns Manville and Owens Corning had all gone through bankruptcy and were immune from further asbestos lawsuits, so the lawyers turned their attention to Garlock. Settlement demands escalated as lawyers won some big victories, including a $37 million jury verdict in California. Soon Garlock's total payout exceeded $1 billion, four times its annual revenue.

Normally, a company in this situation strikes a deal with the plaintiff lawyers to set up a bankruptcy trust to settle the current litigation and pay claims into the future. But Garlock wasn't willing to go along.

Stephen Macadam, the 54-year-old chief executive of Garlock's Charlotte, N.C. parent company, EnPro Industries, was skeptical about the company's liability in the first place. Macadam had started his career as a DuPont engineer working beside pipe fitters and millwrights. He knew it often took all day to break down a single valve and replace the gasket, supporting the testimony of Garlock's medical experts that it would be nearly impossible to get a lethal dose of asbestos from its gaskets.

"We were attracting the claims of every person diagnosed with mesothelioma, and they all said they got it from a Garlock gasket," says Macadam, who joined EnPro in 2008. "It was just ridiculous."

Garlock's problem was the people suing it couldn't seem to remember working with anybody else's products, especially the potentially deadly insulation pipe fitters had to cut through to get to a Garlock gasket. In depositions, dying cancer patients would answer no to repeated questions about whether they'd worked with common construction materials like pipe insulation or asbestos-containing joint compound. In one case a former Navy worker claimed others removed valves from ships, cleaned off all the insulation and brought them to him to disassemble onshore, conveniently eliminating the possibility of being exposed to anything but a Garlock gasket.

Garlock's average mesothelioma settlement payment rose past $70,000 in the mid-2000s from less than $10,000 in 1999, while the cost of defending itself at trial sometimes exceeded $400,000.

Macadam put Garlock in bankruptcy in June 2010. Once there he gave Cassada permission to pursue a highly unconventional strategy of proving that the claims against Garlock had been inflated by fraud. After a lengthy battle with the asbestos lawyers who tried to keep them secret, the company obtained millions of claims filed with more than 20 bankruptcy trusts.

Finally, Judge Hodges allowed full discovery into 15 high-value claims Garlock had settled, including depositions of the lawyers involved. Hodges found plaintiffs had hidden their exposure to other products until they settled with Garlock, only to file additional bankruptcy trust claims that often contradicted their previous testimony, sometimes literally the day after settling.

Citing settlements that had been "infected by the manipulation of exposure evidence by plaintiffs and their lawyers," Hodges last year slashed Garlock's bankruptcy liability from the $1.3 billion plaintiff lawyers were seeking to $125 million.

The asbestos lawyers insist that prior to declaring bankruptcy, Garlock made a business decision to settle cases rather than challenge them in court, implying it didn't delve deeply into the evidence that might exonerate it.

Garlock is still in bankruptcy, but Macadam's refusal to play by the asbestos bar's rules may yield huge dividends for other firms like Honeywell, Ford and Volkswagen that are still solvent and facing tens of thousands of asbestos-related lawsuits. They've filed briefs in Hodges' court seeking the millions of documents Garlock uncovered. Congress, meanwhile, is considering a law that would require the asbestos bankruptcy trusts to open their records.

"If you're a solvent defendant still in the tort system, you're scared to death of these guys, and we were, too, until we entered reorganization," Macadam says. "All they have to do is make up their mind to go after you, and they can make you hurt. And make you pay." ✱

FINAL THOUGHT

✱ *"A lawyer with his briefcase can steal more than a thousand men with guns."*

—MARIO PUZO

BY THE NUMBERS

FINANCIAL FINAL FOUR

Whatever happens in Indy, these teams are tops, according to our 2015 ranking of college basketball's most valuable teams.

For more: FORBES.COM/SPORTSMONEY

JEFF MORELAND/ICON SPORTSWIRE/NEWSCOM

1. Louisville Cardinals (ACC)

VALUE **$38.3 mil**
ONE-YEAR CHANGE **–3%**
REVENUE **$41 mil**
PROFIT **$24 mil**

2. Kansas Jayhawks (Big 12)

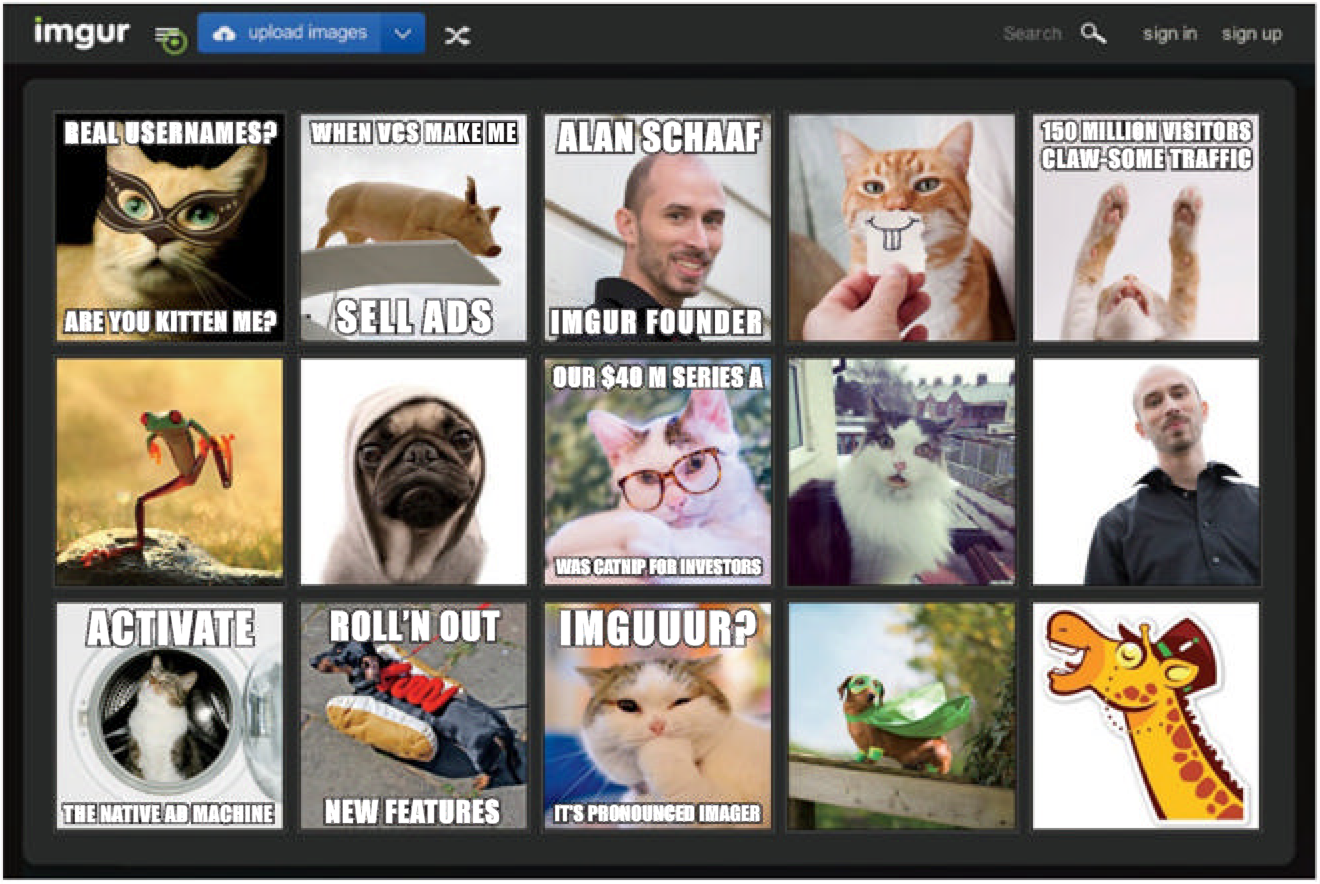
VALUE **$35.4 mil**
ONE-YEAR CHANGE **7%**
REVENUE **$31 mil**
PROFIT **$22 mil**

3. Kentucky Wildcats (SEC)

VALUE **$31.5 mil**
ONE-YEAR CHANGE **–3%**
REVENUE **$35 mil**
PROFIT **$19 mil**

4. Arizona Wildcats (Pac-12)

VALUE **$28.5 mil**
ONE-YEAR CHANGE **13%**
REVENUE **$28 mil**
PROFIT **$18 mil**



The Anti-Social Network

Alan Schaaf transformed a simple file uploader into a viral content empire. Now he has to turn Imgur into a business.

BY STEVEN BERTONI

The first thing you notice at Imgur's new San Francisco office are the giraffes. They're everywhere: inflatable giraffes, posters of kissing giraffes, a massive mural of a giraffe donning a monocle and top hat. "That's our mascot, Imguraffe," says 27-year-old founder and CEO Alan Schaaf. "It started as an April Fool's joke when we added a giraffe theme to the site for a day and got e-mails for six months begging us to bring it back."

For Imgur—the Web host of most of the Internet's memes, GIFs, jokes and tropes—the giraffe is a perfect mascot: strange, awkward and huge. Each month Imgur (pronounced "imager") attracts more than 150 million unique visitors, more than 5.5 billion page views and 45 million new images. Since 2009, when Schaaf built the site in his Ohio University dorm, Imgur has become the default launchpad where content is uploaded before blasting off across Facebook, Twitter, Reddit and the blogosphere. But Imgur is increasingly shifting from being an image host to a prime destination of its own. Roughly 30% of its audience (largely young and geeky) now views content directly on the Imgur home page and mobile app.

That trend helped Schaaf raise $40 million from the venture capitalists at Andreessen Horowitz in April 2014, after bootstrapping the

site for its first five years. “It’s an incredible community,” says Andreessen partner Lars Dalgaard. “Users are building meaningful relationships with people they might not ever see and are finding people that they have more in common with than anyone at work or school.”

Imgur now has to start making real money off all that traffic while dealing with a social network unlike Facebook, Instagram and Snapchat. Imgur’s content isn’t shaped by friends or follows. Everyone sees the same images on the home page, ranked by popular vote. Top posts can get thousands of comments and tens of thousands of votes. “Imgur is a shared experience,” says Schaaf. “I don’t see posts because I follow a certain person but because it was voted up through a democracy.”

Navigating the site feels like channel surfing on public access television: a GIF of a bear playing in hay; a tutorial on how to use a battery and gum wrapper to start a campfire; a visual story of how one Imgur user helped another Photoshop away surgical stitches in a photo of her grandfather. “It’s impossible to go on Imgur for less than five minutes,” says Schaaf. “It’s true discovery. You start without wanting to see something in particular but find stuff you like every single time.”

Schaaf knows what the Imgur horde loves because he is one of them. As a shy and introverted kid growing up outside of Tampa, Fla., he moved to Ohio at age 10 and found his community on Web forums for games such as World of Warcraft. In high school he helped run the student IT support team and the school’s website. As a computer science major at Ohio University he got into college radio, hosting a tech talk show and spinning electronic music: “I like to sit in my room, and I communicate out.”

Around this time he got heavily involved in another platform—the massive Web bulletin board Reddit. He loved the site but hated the tedious process of uploading images. “It wasn’t Reddit’s problem but the Internet’s problem,” says Schaaf. “I thought, ‘I can do better.’”

Schaaf, at the time a college junior, built an upload tool in two months. It was simple and sparse and could turn pictures into Web links with the press of a button. He shared his project with Reddit. It took off—and crashed. He moved to a larger Web-hosting service—it crashed that, too. He burned through four server sites before eventually turning it over to Amazon Web Services. “I had no experience handling traffic, but I had to learn. If I didn’t fix it then, Imgur wouldn’t exist,” says Schaaf, who credits Imgur’s survival on the self-reliance he had learned from his mom, Jean Hoyt. “She built her own company [real estate appraisal], and when something breaks in the house, like, ‘We need a new toilet,’ she installs it.”

Small ads on Imgur covered server fees and the occasional pizza through graduation. Schaaf shrugged off job offers from Facebook and Google to move home and run Imgur out of his bedroom. By 2010 Schaaf was making enough to rent an apartment and hire Matt Strader (an M.B.A. student whom Schaaf met through an Ohio University investment fund) to focus on the business side. In 2011, with Imgur getting 30 million monthly uniques, Schaaf and Strader (now Imgur’s COO) moved to San Francisco and hired four employees.

That number has grown to 45 since the $40 million venture round last spring. Schaaf says he’ll hit 90 employees by the end of the year as Imgur attracts a more mainstream audience through its new iOS app, launched in March. Plans are afoot to jump to Web-connected TVs. Says Andreessen Horowitz’s Lars Dalgaard: “This is amazing content that is not being seen by even a percent of the people who’d be elated and ecstatic if they knew it existed.”

The bulk of Imgur’s revenue today comes from the single ad on each page. To fuel more growth, Imgur is building an in-house agency that will create and publish branded images, so-called native ads, designed for viral sharing. Schaaf says these ads will mesh with the style and tastes of the site. Test campaigns for films and games (Grand Theft Auto V) were a hit with users, with some ads getting liked and shared by an average of 4% of the audience. Imgur must tread lightly. Online clans, especially those emboldened by their anonymity, can protest viciously about commercials in their feeds. “The most valuable thing about Imgur is the community,” says Schaaf. “Only we can take the community away.”

FINAL THOUGHT

“I never read. I just look at pictures.” —**ANDY WARHOL**

GADGETS WE LOVE

FRESH JUICE TO GO

The transition to a fully mobile lifestyle requires a steady, reliable power supply. So make room over your shoulder for the Phorce Pro (from $649; phorce.com), a three-in-one tote (briefcase, backpack, messenger bag) with a rechargeable battery that can top off any USB device in your collection. It’ll synch to your phone via Bluetooth to show you how much juice you’ve got left. (With a full charge, it’ll power an iPhone more than a dozen times.) Accidentally leave your bag at Starbucks? It’ll ping your phone to remind you to go back and grab it—ensuring that the Phorce, and the essential power it provides, may always be with you.


How can you
make tomorrow
love today?
Forbes | 2015
AMERICA'S BEST
EMPLOYERS
POWERED BY STATISTA
The world is changing fast. To make sure that it is for the better, we are celebrating our 150th anniversary by co-creating innovative solutions that will help tomorrow's generation enjoy a better life and a more prosperous planet.
Join the conversation at creator-space.basf.com
150 years
BASF
We create chemistry

Fan Boy

Having created the market for Big Ass industrial fans, Carey Smith tries to go small ass.

BY KARSTEN STRAUSS

Going small: Could CEO Carey Smith make a Big Ass fan refined enough for the residential market? And would it sell?

STEPHEN WEBSTER FOR FORBES

Within a year of launching the HVLS Fan Co. back in 1999, Carey Smith began the process of changing the company's name to Big Ass Fans. Why? Because that's what his customers were calling it. "We would answer the phone and say, 'This is the HVLS Fan Company,' " remembers Smith, smiling behind his neatly trimmed beard. "They would inevitably pause and say, 'Are you those guys that make the big-ass fans?' "

They do indeed make big-ass fans—their largest is 24 feet in diameter and starts at $4,850—and today those fans hang from the ceilings of stores like Target and Whole Foods, and factories run by Boeing, Coke and Amazon. "Throughout your day," says Smith, 62, whose business cards proclaim him "Chief Big Ass," "most of the things you touch have been either manufactured or boxed for distribution under our fans."

But the industrial and commercial cooling-fan industry isn't the gold mine you might expect. Last year Big Ass, privately held and based in Lexington, Ky., took in $165 million in revenue, up 35% over 2013, and its gross profits were an estimated $74 million—not a huge number for a company that thoroughly dominates its market.

Three years ago, looking for room to grow, Smith decided to attack the residential market, first with smaller, high-end fans and later with long-lasting LED lights. The move necessitated another name change, this time to Big Ass Solutions, and created opportunities for growth, but also some interesting challenges: Could an industrial company make products refined enough for the home? Could it find a sales channel to consumers? And could it maintain its Big Ass margins?

Carey Smith has been in the business of staying cool since 1981, when he and his father founded Sprinkool in Dallas. The company installed sprinkler systems on the roofs of buildings as a means of air-conditioning, a trick Carey had learned as a kid during a scorching summer in Tuscaloosa, Ala.

Smith helped pay his way through George Mason University, Hood College and the University of Chicago by working as a shoe salesman and a custodian, and the experience still colors his hiring policy. "We always look for people that worked themselves through college," he says, "because just going to college is not enough to occupy your mind, I don't think." At Big Ass, employees—650 of them, at last count—tend to stick around: The company had an 84% retention rate over five years through 2014.

In its first two years Sprinkool generated $100,000 in revenue—and only because Smith was on hand at every installation, sometimes sleeping in the back of his pickup truck on road trips. At the same time, his wife, Nancy, was pursuing a law degree, and the family

moved to follow alternately her career and his business from Atlanta to Michigan to Alabama and eventually to Lexington in 1991. At its peak, in 1998, Sprinkool brought in $1.5 million in revenue, but it could never squeeze out much of a profit.

Still, the work paid off. With each visit to a prospective customer's factory, Smith would see tiny fans whirring and employees fighting over the airflow. It occurred to him that the ability to see a fan do its job seemed to have a psychological effect on workers. By contrast, Sprinkool's rooftop water systems were out of sight and out of mind.

Then, in a 1998 ad in a trade magazine, Smith saw a huge fan rotating above a group of masticating dairy cows: "It was like, 'Holy cow, there it is!'" So in 1999 he joined forces with the company that made the fan in the ad, a small California engineering firm called MSC. It was a mutually beneficial arrangement, says CEO Eddie Boyd, who with his father had founded the business, now known as MacroAir: "We didn't know how to sell anything. We were inventors."

That first year, Smith and MSC sold fewer than 150 fans. Two years later production had risen to only 750. "There's a difference between making one or two or five of something and manufacturing," says Smith. Eventually he decided he could do better. He sold his stake in Sprinkool to his father and shelled out $600,000 to MSC for design patents—an option he had earned by hitting sales targets—and he went solo with HVLS Fan Co., employing a local machine shop as his initial manufacturing plant.

When he changed the company's name to Big Ass Fans, also adopting a picture of a donkey's backside as his logo, he managed to rub some people the wrong way—namely, he says, "the 5% of people out there that are just dying to be upset about something." That 5% included a post office in Louisville that refused to deliver Big Ass marketing postcards.

Starting with Sprinkool's customers, Smith had reams of data on factories and farms he could sell to. Eventually Big Ass Solutions expanded from its adjacent machine shop to five buildings, all on the northern outskirts of Lexington, where workers assemble, test, store and ship products beneath massive rotating airfoils emblazoned with the donkey logo.

Smith began to offer smaller and quieter commercial products to hang from the ceilings of stores and schools; families with money and space started hanging them in their living rooms. Most residential fans are low-quality and inexpensive, says Smith, who decided Big Ass was not going to lower its standards or its prices.

Subdued compared with its industrial cousins, the Big Ass residential fan is sleek and quiet. Called the Haiku, it sells for between $895 and $1,495, and comes in custom finishes like bamboo, cocoa and premium polished aluminum (an extra $965). The Haiku with SenseME—which houses motion, temperature and humidity sensors—can connect to a Nest thermostat system to regulate temperature more efficiently. A connection to a Jawbone fitness tracker will put the fans into sleep mode whenever their users are in sleep mode.

The LED products, launched last year, were an even bigger departure. Smith has been taking the new product to his established industrial customers, while pushing a garage light to residential buyers. It's a long-term play into a $5 billion U.S. market, he says.

Barely three years in, residential products already represent 17% of Big Ass revenue. The growth has happened largely without the help of big-box retailers—mostly because Smith refuses to let them lop 30% off of his top line and because he doesn't trust them to educate his customers.

Skeptical as he is of big-box retailers, Smith is even more wary of investment bankers and stockholders, sneering at the possibility of one day taking the company public—unless he can maintain control. "I don't mind having stockholders," Smith proclaims, perched at the head of his long boardroom table. "I just don't think they know enough to run a business." *

FINAL THOUGHT

* *"Without craftsmanship, inspiration is a mere reed shaken in the wind."*—**JOHANNES BRAHMS**

TRENDING

What the 70 million Forbes.com users are talking about. For a deeper dive go to FORBES.COM/ENTREPRENEURS

MAURIZIO BORSARI / AFLO / CORBIS

PERSON
LOUIS SAHA
Recently retired soccer stud is trying his hand—er, foot—at startups. His first venture: Axis Stars, an exclusive social network for athletes, clubs, agents and sponsors.

IDEA
POT-FRIENDLY HOTELS
The expansion of legal marijuana has sparked a growing "bud and breakfast" industry, cashing in on weed tourism in Colorado and Washington State.

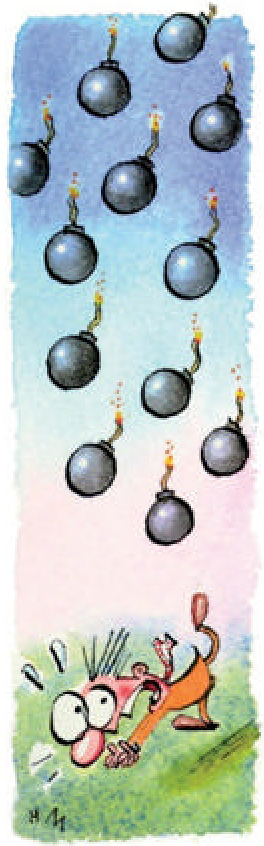
COMPANY
TRACX
After facing hesitant VCs in Tel Aviv, this Israeli social media management company moved its headquarters to New York City—and soon secured $28 million in financing.

DOMINANCE
RUNS IN THE FAMILY
RAM
COMMERCIAL
VEHICLES
HEAVY DUTY BEST-IN-CLASS 30,000 LBS TOWING
CHASSIS CAB BEST-IN-CLASS 37,500 LBS GCWR
PROMASTER BEST-IN-CLASS 4,440 LB PAYLOAD
PROMASTER CITY BEST-IN-CLASS 1,883 LB PAYLOAD
1500 TRADESMAN BEST-IN-CLASS 29 HWY MPG ECODIESEL
BUSINESS LINK
ON THE JOB
RAM COMMERCIAL

Dodging Tax Bombs

How to keep the IRS at bay and pocket more profits.

BY WILLIAM BALDWIN



Is there any greater misery for an investor than to pay stiff taxes on a lousy portfolio?

Nuveen NWQ Large-Cap Value is a clunker of a fund, lagging the S&P 500 index by 5.6 percentage points a year over the past five years. Still, it managed to disgorge on its hapless customers $10.46 a share in capital gains in December. That was just about half the assets of the fund. Result: Federal taxes over the past year would have eaten away 14% of a stake in this fund held by a high-bracket investor, Morningstar calculates.

After years of complacency, fund buyers are waking up to nightmares like this. During the 2008-09 crash funds accumulated capital losses that were carried forward and used to shelter trading profits from the tax collector. Now those loss carryforwards are exhausted at a lot of funds, says Frank Pape, a tax-managed investing strategist at Russell Investments.

The result was an upsurge in taxable capital gain distributions at the end of 2014. For funds investing in big stocks, Pape figures, the payouts roughly doubled from 2013, reaching 9% of assets. Expect more bad news in 2015.

Somewhat more than half of household fund assets are in tax-deferred accounts. For those, all that matters is the pretax return. For the remainder, taxes matter a lot.

Funds create capital gains for their customers for one of two reasons. One is that the manager likes to trade. Bad enough if a winning position is sold after more than a year, generating long-term gain that has to be distributed. It's much worse if the holding was short term.

Short-term gains are poisonous inside a fund, because they get converted into high-taxed ordinary income when distributed. That stiff payout from the Nuveen NWQ value fund (NQCAX) included $2.22 a share of short-term gain.

The other cause of capital gain is an exodus of customers. When more people depart than come in, the manager has to sell securities to meet redemptions. If all that is left in the kitty is stocks bought years ago at low prices, their sale gives rise to a pile of long-term capital gains. Compounding this problem is that the escapees leave behind a shrunken share base over which to parcel out capital gain. When a gain is distributed, usually at the end of the year, it rains down on whoever is left in the fund, including victims who arrived too late to enjoy any profit.

The standard advice is to avoid buying a fund late in the year, just before a distribution date. But that doesn't go very far to protect you. You could easily get whacked by a distribution in December on a moneylosing fund you had

FUNDS WITH NASTY TAXES

SOME OF THESE WOULD BE NICE TO HAVE IN A TAX-DEFERRED ACCOUNT. THEY WOULD ALL BE BAD NEWS IN A TAXABLE ACCOUNT.

TICKER	FUND	TAX PRETAX DAMAGE[1]	RETURN[2]
PIXAX	PIMCO FUNDAMENTAL INDEXPLUS AR	5.6%	20.5%
CSGEX	BLACKROCK SMALL CAP GROWTH EQUITY	4.5	15.8
TFSSX	TFS SMALL CAP	3.9	18.1
MILCX	BNY MELLON LARGE CAP STOCK	3.7	14.0
PCKAX	PIMCO SMALL CAP STOCKSPLUS AR	3.5	19.8
JAPVX	JHFUNDS II ALPHA OPPORTUNITIES	3.4	15.0
NEFJX	NATIXIS VAUGHAN NELSON SMALL CAP VALUE	3.4	16.4
PSPAX	PIMCO STOCKSPLUS	3.4	17.4
TMGFX	TURNER MIDCAP GROWTH INVESTOR	3.4	13.8
NQCAX	NUVEEN NWQ LARGE-CAP VALUE	3.3	10.3
FMIEX	WASATCH LARGE CAP VALUE	3.3	10.0

[1]AVERAGE ANNUAL LOSS TO FEDERAL TAXES PAST FIVE YEARS. [2]ANNUALIZED, FIVE YEARS, THROUGH FEB. 28.
SOURCE: MORNINGSTAR.

HAL MAYFORTH FOR FORBES

IT introduces self-resolution IT

The new MyIT app enables employees to self-resolve tech issues via crowdsourced collaboration, reducing service desk calls by up to 92%.

Bring IT to Life at bmc.com/TryMyIT

bmc MyIT *for* Employee Productivity

bought in January. So follow these rules for funds you hold in a taxable account:

Consider index funds. There are no trigger-happy portfolio managers running these things. Most passive funds have very low or zero capital gain distributions.

Look for the ETF. Index portfolios come in different formats. The ones organized as exchange-traded funds (as opposed to open-end mutual funds) are the best for taxable accounts. That's because the operator can foist off gain positions on the middlemen who create and redeem shares using baskets of stock.

Do you want value stocks like Exxon Mobil and Microsoft? Over the past five years the Vanguard Value ETF (VTV) has delivered an annual aftertax return of 14.5% The comparable figure for NWQ Large-Cap Value, net of the maximum sales load, is 5.4%.

Look at the distribution history. Index funds are not the only ones that are tax-efficient. Sometimes an actively managed portfolio will do well in tax efficiency. The ideal fund delivers almost all its return in the form of a rise in the fund share price. As long as you don't exit the fund, that performance is not something you have to share with the tax collector.

Sometimes, in contrast, an index fund is not as efficient as you would expect. "Schwab used to market [its 1000 Index Fund, SNXFX] as a tax-efficient investment, but it has had outflows," says Michael Rawson, a Morningstar analyst. The redemptions have forced the fund to sell appreciated stocks and dish out capital gains averaging 3% annually over five years.

Distribution habits are captured in the "tax cost ratios" published by Morningstar. They assume an investor in the highest federal bracket but, since they don't include state income taxes, are a pretty good approximation to the damage suffered by average fund buyers.

Be wary of funds with pent-up gains. Unrealized appreciation is the difference between the market value of the portfolio and the fund's cost for those positions. If it's high, a change in strategy or a wad of redemption orders could force the manager to sell positions at a gain.

Eye turnover. This statistic tells you how quickly the manager unloads stocks to buy other stocks. It's not always bad, since it could result from an effort to lower tax burdens. At the T. Rowe Price Tax-Efficient Equity Fund (annual turnover, 18%), manager Donald Peters has stakes in both Visa and MasterCard. If the market takes a spill, he says, he might unload his position in one in order to buy more of the other; after 31 days he would reverse that trade

ASKING FOR TROUBLE

A WAVE OF REDEMPTIONS WOULD FORCE THESE FUNDS TO DISTRIBUTE TAXABLE GAINS.

TICKER	FUND	ASSETS ($MIL)	EMBEDDED GAIN[1]
STSEX	BLACKROCK EXCHANGE	$183	86%
STFGX	STATE FARM GROWTH	4,275	70
SNXFX	SCHWAB 1000 INDEX	6,824	68
BTIEX	DEUTSCHE EQUITY 500 INDEX	986	65
GABAX	GABELLI ASSET	3,571	64
HLEIX	JPMORGAN EQUITY INDEX SELECT	1,983	64
PEOPX	DREYFUS S&P 500 INDEX	2,909	60
FAEIX	NUVEEN EQUITY INDEX	858	59
CAPEX	EATON VANCE TX-MGD GROWTH 1.0	842	59
PSIAX	PRUDENTIAL STOCK INDEX	1,011	58

[1]ESTIMATED FRACTION OF NET ASSETS REPRESENTED BY UNREALIZED APPRECIATION. *SOURCES: MORNINGSTAR; FORBES.*

TREATMENT FOR A TAX HEADACHE

Say you buy a fund share for $22 on Dec. 1 and get a $10 distribution a week later. After the distribution you are left with $10 in cash plus a depleted fund share worth $12. You are just breaking even, but the whole $10 shows up on your tax return as "income." Reinvesting the $10 in more fund shares won't save you. The only antidote is a rapid exit. Sell the share for $12 and claim a $10 capital loss on it.

Let's suppose that the $10 payout consisted of $8 in long-term capital gain plus $2 in short-term capital gain. The $10 capital loss will absorb the $8 long-term gain distribution and leave you with a net $2 capital loss.

Meanwhile, you will have that $2 from the short-term gain distribution. Alas, when this money leaves the fund it ceases to be a short-term gain. It is transformed into a tax pumpkin—"ordinary income."

So what looks like a wash is not quite that. The $2 net capital loss is something that might, depending on your circumstances, be useless on your tax return. But the $2 of ordinary income is sure to be taxed at a high rate.

When the dust settles, you will have mitigated but not eliminated the tax damage from an unwanted fund distribution, and you will be starting over in your search for a safe place to put your money. The experience will be all the more painful if you paid a sales load to get the tax-prone fund. —*W.B.*

THE BESPOKE FUNDS SOLUTION

The most tax-efficient fund possible makes a pile of money while costing you nothing at tax time, at least if you hold on. Is it possible to have a negative tax bill? Not from an investment company. It can't pass capital losses through to investors. You can, however, get this benefit from a collection of individual security positions.

Instead of buying shares of an S&P 500 index fund, you arrange for a computer to make trades in maybe 150 stocks. You wind up with, say, 12 shares of Exxon Mobil and 8 shares of Procter & Gamble and so on. If it's well designed, your portfolio tracks the index very closely.

Some of your stocks will go up, some down. The computer sells the losers, capturing capital losses, and replaces them with similar stocks. Procter might be scrapped in favor of Colgate or Exxon in favor of Chevron.

In a variation on this theme, you own all 500 index stocks, snatching losses on different batches of stocks at different times and buying them back after a 31-day waiting period. The wait spares you from a tax rule banning "wash sales."

At the end of the year you have a return close to what you would have earned on an index fund. But you also have some tax writeoffs. You put these capital losses to work sheltering capital gains from other sources and, to a limited extent, sheltering ordinary income, such as from a salary.

Fans of this strategy say it can give you a tax benefit worth 1% or even 2% of assets a year. Caution: Such payoffs hang on heroic assumptions about how you use the losses and in any event are destined to tail off within a decade or so. Unless we get an unremitting bear market, you eventually run out of loser stocks.

Big investors have been playing this game for a long time. Four years ago Fidelity Investments brought it to the mass affluent at a fee of 0.3% a year, but its service is available only to customers already paying for custom investment advice. Now Wealthfront, an online money manager, will do the dirty work for 0.25%, all in.

If even that looks expensive, settle for a partial tax benefit by using a portfolio of a dozen exchange-traded funds instead of 150 stocks. You swap from an ETF to a similar one when the market is down. Charles Schwab does the paper shuffling with no fee or commission, although it pockets a spread on your mandatory cash allocation.

Do-it-yourselfers can squeeze costs down without having cash sit idle. Divide $1 million into 40 $25,000 positions in randomly chosen stocks. Pluck out losers every now and then and make substitutions. You won't match the index, but you'll have a fair bet: You're as likely to beat the market as fall short. —*W.B.*

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in a way to capture tax losses on each position.

But very high turnover (100% and up) usually hints at a hyperactive manager, striving to win the performance derby and oblivious to the tax consequences. Sooner or later that trader is likely to throw some painfully taxable short-term gains your way.

Watch expenses. Sometimes a fund gets a high mark for tax efficiency by running up overhead, erasing the taxable income that would otherwise belong to shareholders. So don't be impressed with tax efficiency unless it's combined with cost efficiency. The table *(at left)* has funds with good scores on both counts.

Think about the long term. Tax efficiency accomplishes the most when you can either hang on to appreciated fund shares for a long time or else leave them to heirs or charity. It doesn't do as much for those cashing out soon.

KEEP WHAT YOU EARN

A HANDFUL OF ACTIVELY MANAGED FUNDS COMBINE LOW TAX BURDENS WITH LOW EXPENSES.

TICKER	FUND	EXPENSE RATIO	TAX DAMAGE[1]
FGRIX	FIDELITY GROWTH & INCOME PORTFOLIO	0.65%	0.62%
FLVCX	FIDELITY LEVERAGED COMPANY STOCK	0.79	0.26
FGRTX	FIDELITY MEGA CAP STOCK	0.68	0.68
POGRX	PRIMECAP ODYSSEY GROWTH	0.63	0.40
PRGFX	T. ROWE PRICE GROWTH STOCK	0.68	0.50
VCSRX	VALIC COMPANY II SOCIALLY RESPONSIBLE	0.56	0.35
VDEQX	VANGUARD DIVERSIFIED EQUITY	0.41	0.58
VWUAX	VANGUARD U.S. GROWTH	0.30	0.52

[1]FRACTION LOST TO FEDERAL TAXES FOR A HIGH-BRACKET INVESTOR, FIVE YEARS THROUGH FEB. 28, ANNUALIZED.
SOURCE: MORNINGSTAR.

FINAL THOUGHT

"People will pay you a lot of money if you pretend to know how the tax code works." —**ADELE VALENZUELA**

GO
CONSIDER
STOP

STEADY AS SHE GOES

Eric Schoenstein wants to see rising earnings in stocks he buys for the $5.5 billion Jensen Quality Growth Fund—but proven performance, not just a year of hot profits.

3M
Unsexy but extremely consistent, with revenue growth of 5% to 6%, double-digit profit growth and a dividend that's up at least 20% each of the last two years.

MICROSOFT
Replacing Steve Ballmer with Satya Nadella improved the outlook, but the real test will be surviving, to say nothing of thriving, in the post-PC era. Will its cloud offering show the way?

AUTOMATIC DATA PROCESSING
Stay away, but only because of its valuation: Its P/E ratio is above 29, way too high for a payroll processor. Low debt and strong cash flow are attractive, but being priced like a tech pioneer isn't.

KEN FISHER // PORTFOLIO STRATEGY

YOU'VE GOT QUESTIONS? I'VE GOT ANSWERS!

I HEAR SO MANY questions that have fast, easy answers. Here are a few:

"Small stocks have lagged. So should I dive in now?"
No. Correctly measured, they usually lag—except the first half of bull markets, when they supersoar. They will likely lag overall until our next bull.

"I read lots about deflation ahead and how it's terrible for stocks. Is it?"
Depends! Usually deflation comes from bad recessions—and is ugly. Otherwise, like now, it's okay. Ignore those gloomy voices, many of them the same as those who earlier foresaw quantitative easing as causing mega-inflation. Also, whatever you read lots about is surely priced in and easily ignored—a great answer for so many media-splattered topics.

"I really need income. Should I prefer preferred stocks?"
Only if you're a great trader or great fool! Preferreds trade only a whisker away from junk bonds on the one hand and junk equity on the other—all highly correlated to small-value stocks. If small value lags, preferreds should prove painful—yield or no. See what I said above about small stocks.

LOW RATES ARE NOT AN EQUITIES CATASTROPHE—AND CURRENCY MOVEMENTS NEVER, THEMSELVES, HELP YOU TIME STOCKS

"Aren't we in a new era of currency wars—analogous to water swirling a drain, then down and out?"
Heavens no! Expansionary monetary policy has been a myth. Money supply growth has been scant this cycle, as I've written for years. Low rates are not an equities catastrophe. And currency movements, contrary to popular opinion, never, themselves, help you time stocks. It just doesn't work. Never has.

These, and many more questions, are answered in greater depth in my brand-new book, *Beat the Crowd* (Wiley, $29.95), which isn't about beating the market per se but how to outthink the herd correctly—my contrary take on contrarianism. You also see my contrarianism in these better-than-bonds stock picks for the bull market ahead:

UNILEVER (UN, 43) has lagged since 2013 along with sales and dividends. But better times are coming for this global giant with over 400 great consumer brands. Consumer discretionary stocks usually shine in the back half of bull markets. It's time. Expectations are low, and it's nicely priced, particularly against peers. Even now its dividend yield is 3.4%.

San Jose, Calif.-based **XILINX (XLNX, 41)** is small but owns half the nice niche of programmable logic chips (distinguished by being reconfigurable). I recommended it on Feb. 27, 2012 at 37. It rose to 54 but has now fallen back. If it doesn't get the price up, it should be taken over readily. Meanwhile, you get a 2.7% dividend yield at 17 times growing earnings.

On Apr. 15, 2013 I recommended **WESTERN DIGITAL (WDC, 100)** at 48 and **SEAGATE TECHNOLOGY (STX, 56)** at 35. Despite doing well, they should continue to and aren't too high. Buy if you haven't already. Together they dominate the hard-disk memory business, which is central to cloud computing. It's like a fast-growing duopoly. Yet STX is at only 1.3 times revenue, 10 times my June 2016 earnings estimate, with a 3.4% dividend yield. WDC is 1.6 times revenue, 12 times my June 2016 earnings estimate, with a 1.5% dividend yield.

Spain's **BANCO SANTANDER (SAN, 7.4)** has been doggy since I picked it on Feb. 10, 2014 at 9.3. Hence, opportunity now. Despite the negatives of European quantitative easing and the stupid draconian measures of regulators, it's in a spectacular relative position as Spain's largest dominant bank—just as Spain is kicking into gear. It's also Spain's most global bank, spanning the world. It's cheap at book value, 1.7 times revenue, 12 times my 2015 earnings estimate, with a likely 4% 2015 dividend yield. F

MONEY MANAGER KEN FISHER'S LATEST BOOK IS *BEAT THE CROWD* (WILEY, 2015). VISIT HIS HOME PAGE AT WWW.FORBES.COM/FISHER.

THOMAS KUHLENBECK FOR FORBES

WILLIAM BALDWIN // INVESTMENT STRATEGIES

PAYOUTS FROM YOUR IRA

THOMAS KUHLENBECK FOR FORBES

IN THIS SAGA, our heroine, Pauline, is in great peril. At 70 she has $1 million in her IRA. She is compelled to make withdrawals from it, initially at the rate of $36,500 a year. But average stocks and bonds don't pay out anything like 3.6%. They yield about half that.

The cause of meager yields is the government. It has decided, for the good of the country, to keep interest rates low—that is, to punish savers and reward spendthrifts.

Who will rescue Pauline from this villain? Financial planners appear on the scene with investments sporting fatter yields. They want her to buy high-dividend stocks (even though there is no reason to expect a higher return from stocks with high dividends), junk bonds (which are a bad buy at the moment, precisely because so many people like Pauline are groping for yield) and complicated financial products (which are a bad buy all the time).

Pauline should turn her back on the experts and come up with her own portfolio. She could make an excellent one out of two security positions.

Underlying this two-ticker solution is the enhanced cash flow that comes out of a bond with a high coupon. Also helping out is the revelation that dividends are not the only way to get cash out of a stock.

AVOID HIGH-YIELD PRODUCTS— CREATE YOUR OWN YIELD

Pauline buys $300,000 (par value) of the 5% U.S. Treasury due in May 2037. That will cost her $433,000. She puts the remaining $567,000 in a stock index fund. It could be a no-load with a low expense ratio or else an exchange-traded fund. Among the latter, either the **VANGUARD TOTAL STOCK MARKET (VTI, 108)** or the **SCHWAB U.S. BROAD MARKET (SCHB, 51)** would be a fine choice.

The stock position will yield $10,500 of dividends this year, the bonds $15,000 of interest. That leaves an $11,000 shortfall. Pauline gets that by selling some of the index fund.

There is no sin in cashing out in this fashion. Dividends are going out of style (as they should); nowadays corporations use share repurchases as an alternative mechanism to disburse profits. If your dividends come to 1.8% of your equity portfolio, and you need 3.8% to live on, you can liquidate 2% of your holdings.

I wouldn't call this dipping into capital. Notwithstanding that stocks are overpriced at the moment, it is reasonable to expect a total return from them, over and above inflation, of 5% a year. If you pull out anything less than 5% a year your pot should grow over time. It will, of course, encounter some crashes along the way.

What happens to Pauline? By the time she is 92, the bond position will have shrunk in value to $300,000. The stock fund will dwindle, too, as she steps up her cash-outs to meet the IRA withdrawal mandates.

If we assume a steady 5% real return from stocks and an inflation rate of 1.5%, Pauline will have, in 2037, $824,000 left in the account. She will be withdrawing at the rate of $80,800 a year (worth $58,200 in today's dollars). She can easily make it to age 100 at this spending rate.

Stocks don't earn steady returns, and they may fail to attain that 5% average. If they crash early in the game Pauline will be forced to sell too many shares at depressed prices. But it takes some fairly pessimistic assumptions to leave our heroine with withdrawals that don't at least keep up with the cost of living.

The do-it-yourself portfolio has tiny costs. Pauline would lose $284 a year to the fund expense ratio. She'd also lose, by dint of the bid/ask spread you can see on Fidelity's bond price page, the equivalent of $11 a year to the middleman who sold her the Treasury. Total cost: $295 a year.

The expert solution, with the junk bonds, the overbought dividend stocks and the complicated yield products, might cost $10,000 just in advisory fees. Expense ratios on the funds would be additional.

GO TO FORBES.COM/SITES/BALDWIN FOR MORE ON TAX-WISE INVESTING STRATEGIES.

RESET YOUR MUNI PORTFOLIO

THE SWEET RIDE municipal bond investors had in 2014 is slowing down. Demand exceeded supply, yields declined, prices went up and investor appetites were voracious. Much of this was due to increased federal tax rates and some state tax increases.

Not only is bond demand slowing but yield no longer reflects risk in many cases. Most investors back into buying their municipal bonds. They look at the yield first, the name of the issuer and then maybe the credit metrics (quantifying credit risk).

Take, for example, New York State Dormitory Authority bonds. Wouldn't you think this conduit issuer's bonds are for dormitories? Not all are. The bonds can be for constructing and financing nursing homes, hospitals, libraries, local and state projects. In other words, nondormitory facilities.

Take New York State Dormitory Authority for Yeshiva University. Depending on how detailed your brokerage statement is, these bonds may be listed as New York Dorm Authority Revs or may include the name "Yeshiva University." The problem is, Moody's downgraded these bonds to junk. The 5% coupon bonds due Nov. 1, 2021 are rated B3 with a negative outlook.

If you were offered NY Dorms due in 2021 yielding 3.1%, you'd probably be enticed. Don't be. The yield doesn't come close to compensating investors for the risk. Standard & Poor's stated that operating deficits have persisted since 2008. In the past, when the appetite for munis wasn't so insatiable, these B3 junk-rated Yeshiva bonds would have yielded between 5% and 6%. But those were the old days.

EVERYTHING WE'VE LEARNED ABOUT THE RISKS OF GENERAL OBLIGATION BONDS HAS FALLEN BY THE WAYSIDE

There's something else that's transpiring in this muni madness. Everything we've learned about the risks related to general obligation bonds has fallen by the wayside. The bankruptcies of Detroit and Stockton, and their outcomes, shook GO bondholders to their core. The bankruptcy courts—along with the court of public opinion—subordinated bondholders to pensioners. Unbelievably, pensioners are now higher on the payment ladder than bondholders.

There is still an abundance of safe municipal bonds out there. Nominal yields are certainly low but, all things being equal, focus on the taxable equivalent yield (TEY). If you are in the top 39.6% federal bracket, then a 2% muni yield equals 3.31%, 2.5% equals 4.14%, 3% equals 4.97%. Add on the confiscatory tax rates of states like California and New York and we're talking about yields that are competitive with dividend-paying stocks. And don't forget the added benefit of no 3.8% ObamaCare tax on tax-free municipals.

One way to protect yourself from stumbling into another Detroit, Stockton or Puerto Rico is to buy municipals that are part of a state enhancement program. That's a program where the state steps in and pays the interest and/or principal if the issuer cannot. The mechanics of these programs vary from state to state. Some make partial payments. Others pay the full amount if the issuer defaults. Read each official statement for the particulars.

Here are a few to buy. **WESTFIELD INDIANA MULTI-SCHOOL BUILDING CORP. 4% DUE JULY 15, 2024 (CUSIP: 96023PJN6)**, rated A by S&P, priced at 112.4 to yield 2.5% to maturity, which is a TEY of 4.1% for the highest federal taxpayers. If the debt service payments cannot be met, Indiana's treasurer shall make such payments from the State Intercept Program.

Buy **CHEMEKETA OREGON COMMUNITY COLLEGE DISTRICT (CUSIP: 163597HY6), 3.5% DUE JUNE 15, 2025.** These school bond payments are guaranteed by the state if the community college district fails to make them. If you pay 109.74 for this AA+ (underlying AA–) rated bonds, that's a 2.42% yield to maturity and 4% TEY. If you pay Oregon state tax, the TEY is even sweeter.

Finally, buy **NORTH LITTLE ROCK ARKANSAS SCHOOL DISTRICT #1 (CUSIP: 660631VE9).** The coupon is 5% due Feb. 1, 2023, priced at 118, and that's a 1.49% yield to worst call in 2020 and 2.46% to maturity. The 2.46% TEY is 4.08%.

As with any bond investment, the guarantee isn't worth much if the state itself is shaky.

MARILYN COHEN IS PRESIDENT OF ENVISION CAPITAL MANAGEMENT, INC., A LOS ANGELES FIXED-INCOME MONEY MANAGER. VISIT HER HOME PAGE AT WWW.FORBES.COM/COHEN.

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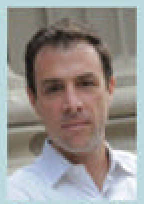

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Features April 13, 2015

L.L. Bean recently had to double manufacturing capacity to keep up with demand for its classic boots. Ordered 'em last winter? The waiting list for the $109 kicks was 100,000 deep. Annual sales have tripled since 2007 to 450,000 pairs, and Bean is so confident about their quality that it allows returns years, even decades, down the road. Just clean the mud off first.
PAGE 92

PHOTOGRAPH BY DAVID ARKY FOR FORBES
PROP STYLING BY KELLIE MURPHY

TOSHIBA'S HUMAN SMART COMMUNITY

Advancing Patient Care While Reducing Costs

BY MICHAEL RONEY

Today's healthcare landscape is shifting. The Patient Protection and Affordable Care Act of 2010 (ACA) is compelling hospitals, clinics and physicians to serve their patients in entirely new ways.

This new reality has elevated the critical role of diagnostic imaging. "Frequently, healthcare institutions want guidance through these changes, and that's our focus," says Ryo Fujimoto, General Manager of Toshiba America Medical Systems, which sells and services radiology and cardiovascular systems and coordinates clinical diagnostic imaging research. "We built our business around this position, and it drives everything we do."

ENSURING OPTIMAL CARE

One way the ACA has changed healthcare is the formula for how providers are reimbursed, linking payments more closely with results. "Reimbursements are divided among providers, with part of the payment based on patient feedback and medical outcomes, making it critical that every phase go as well as possible," Fujimoto explains. "Diagnostic imaging is a small part of the whole care cycle when it's measured in hours, days or even dollars. But this stage sets up what happens five steps ahead, and sometimes for the whole period of patient care. When used well, it sets up the care cycle to be efficient and effective."

Ryo Fujimoto, General Manager, Toshiba America Medical Systems, Inc.

Optimal patient care is paramount under the ACA, and dose reduction in imaging is critical. That is why Toshiba provides Adaptive Iterative Dose Reduction 3D (AIDR 3D), a third-generation dose reconstruction software that comes standard on all Toshiba CTs. One customer, St. Luke's Boise Medical Center, is using dose limiting technology, reducing doses for brain imaging by 30%, abdominal imaging by 59% and chest imaging by 60%.

Of course, safety is always critical—for patients, providers and institutions. Toshiba's 360 Degrees of Safety program takes a holistic approach, focusing not only on dose management, but also on patient experience and innovative designs that reduce operator error, making patients safer while improving the exam experience. "For instance, we have CTs and MRIs with larger bores, making it easier for the patient to go in and stay in," explains Fujimoto. "Our MRI is also the quietest in the industry, making it as comfortable as possible to have a scan."

RETURN ON IMAGING INVESTMENT

Advanced diagnostic imaging helps providers and patients save on healthcare costs over the long

run by offering features to provide better outcomes for the patient and enhanced help for the care of populations, with more efficient workflows.

"One great example is our partnership with Gates Vascular Institute in Buffalo, New York, where they specialize in stroke treatment," says Fujimoto. "They save over a million dollars a year using our CT scanner, Aquilion ONE ViSION. Our Smart Fusion ultrasound technology allows a clinician to sync real-time ultrasound images with CT or MRI images, making it safer and more cost-effective to use no-dose biopsy. In the short term, productivity is higher and cost of treatment is lower."

Toshiba's Aquilion ONE ViSION can help healthcare facilities provide safe and fast CT examinations.

INNOVATION AND SERVICE

"Toshiba has a tremendous history of technology innovation and a notable research-to-sales ratio," Fujimoto points out. "In fact, many of our advanced imaging technologies are built on innovations developed for other areas of the business."

This innovative tradition is reflected in systems like e-Watch™, which monitors the power, temperature and humidity in the room in which the imaging system resides, and quickly detects problems that could lead to that equipment not performing at its full potential. Toshiba also offers a remote diagnostic system that allows service engineers and applications specialists to see what is occurring on the systems 24/7. "With innovations like e-Watch, we can proactively address issues before they occur," Fujimoto says.

EDUCATION AND SUPPORT

"Education is very important to our customers," notes Fujimoto. "Hospitals make a big investment when they purchase any imaging product. That makes it very important for them to adopt new skills, use the equipment safely and provide the image quality physicians need to make a confident diagnosis."

He adds that Toshiba's worldwide vision for Human Smart Community by lifenology dovetails with his company's medical mission, which is to improve the quality of life for all people through a long-term, customer-focused partnership.

"We're dedicated to helping our customers understand the intricacies of these turbulent times, providing healthcare economic resources to staff and access to a call-in/e-mail contact for 24-hour turnaround on questions regarding reimbursement and coding. When our customers purchase a product, they also are acquiring a strong support relationship for its lifetime."

Human Smart Community

» Toshiba's vision for the future is a "Human Smart Community"—a society that is technologically advanced but that puts people's well-being first. With our focus on healthcare, energy and cloud and storage technology, we are working to create a future ideal of a safe, secure and comfortable society. In the future we envision, everyone everywhere can flourish and enjoy a rich and vibrant life.

Lifenology

» We call the technologies needed to create this ideal society "lifenology"—a combination of "life" and "technology." Toshiba lifenology is more than a single product or technology. Rather, by marrying the know-how behind a wide range of technologies, we create new value that can benefit people all around the world. Through "lifenology," Toshiba will realize the "Human Smart Community."

TOSHIBA

Leading Innovation »»

To learn more about the Human Smart Community by lifenology, visit forbes.com/toshibalifenology4

Sacca at his new Montana spread, far from the Silicon Valley hustle but only a tweet away from his next deal. He's shown here in one of his nearly 70 rayon cowboy shirts.


JAMEL TOPPIN FOR FORBES

VENTURE COWBOY

CHRIS SACCA CAME FROM NOWHERE TO ASSEMBLE THE GREATEST ANGEL PORTFOLIO—TWITTER, UBER, INSTAGRAM—IN SILICON VALLEY HISTORY. AND HE'S TICKED OFF A LOT OF PEOPLE ALONG THE WAY.

BY ALEX KONRAD

Between the parade of wet suits and abundant seafood and yoga joints, Manhattan Beach, just south of Los Angeles, tries to cling fast to its surf town roots. It's a tough battle. Strolling the boardwalk, I pass beach volleyball gold medalist Kerri Walsh Jennings practicing spikes close by glitzy homes locals say belong to Mark Cuban and former Oracle boss Ray Lane.

My guide, tech investor Chris Sacca, represents another evolution: The beach serves as his de facto office, and the 39-year-old eagerly points out spots more notable for his startup stakes than surf breaks. Here's where Instagram cofounder Kevin Systrom pedaled beach cruisers with Sacca

as he wrestled with fundraising options for his photo-sharing app. Nearby, Twitter cofounder Evan Williams pondered the future of social media. There's the beach house from *Beverly Hills, 90210*, past which WordPress founder Matt Mullenweg and Sacca biked toward Redondo Beach. And that's the spot where Twitter CEO Dick Costolo and Sacca endured an early morning workout. "Kevin Rose did half of it and told me I was crazy and he wouldn't come anymore," Sacca says, mentioning, unprompted, the founder of Digg.

All these boastful highlights have an underlying number: $1.2 billion, the amount of money that FORBES estimates Sacca is now personally worth, up from pretty much nothing just nine years ago. The young former Google employee suddenly finds himself in the same financial league as veteran venture billionaires such as Jim Breyer, John Doerr and Michael Moritz. And in terms of a hot streak he rates even higher. Sacca has already had two ground-floor bonanzas: Twitter, in which his funds held more at its IPO than any outside investor, and Uber, in which they hold 4% of a company valued at $41 billion. And he's sitting on investments in billion-dollar startups Stripe, Lookout and WordPress parent Automattic.

"Chris has found every hot startup in the Valley and found them all during angel rounds," says Yahoo CEO Marissa Mayer, who has invested in Sacca's funds. "This is completely without precedent or equivalent." The 39-year-old ranks third on FORBES' 14th annual Midas List of tech's 100 top investors.

Sacca didn't study business or engineering, doesn't know how to program a computer, never started a company of his own or worked at a big venture firm. What he does is buddy up with well-chosen founders, console them when they're down and cajole them when they're wary of big risks. "I don't feel like I have a big institution to protect," says Sacca. "That's made me faster than the big investors."

But his track record is also flecked with broken friendships and hard feelings. While he keeps a relatively low media profile—this story marks the first time he's cooperating for a major story—his big mouth, incessant name-dropping and blunt elbows cause eyes to roll. "He's got a bit of a hero complex," says a peer who knows him well. "He's an amazing investor, but that's not enough—he has to do this heroic stuff." At Google he crashed every meeting he could and then wouldn't shut up. Twitter eventually had to pass a rule, driven in part by Sacca, barring nonemployees from showing up at all-staff meetings. He and Uber CEO Travis Kalanick, once close friends, now barely speak, despite Sacca's major stake in the company.

"Chris is brutally honest about everything," says mentor Steve Anderson of Baseline Ventures, an Instagram backer and No. 5 on the Midas List. "And he's aware that he's insecure." But don't mistake insecurity for timidity. "I get close to people easily," says Sacca. "But do something to me, I will light that bridge on fire."

JENNY LEE, THE TOP-RANKED WOMAN ON THE LIST—AND THE FIRST EVER IN THE TOP TEN—HAS HAD A STELLAR DECADE AT GGV IN SHANGHAI, WITH BETS ON XIAOMI, YY, UCWEB AND 21VIANET.

As we're talking on the Manhattan Beach pier, Sacca's iPhone buzzes. It's a Twitter direct message from Ben Rubin, CEO of Meerkat, a white-hot new app for live-streaming video. Sacca is not going to invest in Meerkat but had been playing with it ahead of its early challenge at the popular conference, South by Southwest. He rapidly types back with a thumb and forefinger combination. "I told Ben that the festival is the first big test, and if you keep the stream up, you win," Sacca says, thrusting the DM thread toward my face quickly, then back away. "You have to offer value without expecting anything in return." Such is how new bridges are built, amid the smoldering embers of the old ones.

2015 RANK Name /2014 Rank
FIRM
Biggest Deal

1 Jim Goetz/1
SEQUOIA CAPITAL
WhatsApp

2 Peter Fenton/3
BENCHMARK CAPITAL
Twitter

3 Chris Sacca/12
LOWERCASE CAPITAL
Uber

4 Josh Kopelman/11
FIRST ROUND CAPITAL
LinkedIn

5 Steve Anderson/8
BASELINE VENTURES
Twitter

6 Doug Leone/6
SEQUOIA CAPITAL
FireEye

7 Paul Madera/9
MERITECH CAPITAL PARTNERS
Facebook

8 Neil Shen/33
SEQUOIA CAPITAL CHINA
Alibaba

9 Bill Gurley/70
BENCHMARK CAPITAL
Uber

10 Jenny Lee/52
GGV CAPITAL
Xiaomi

11 Scott Sandell/10
NEW ENTERPRISE ASSOCIATES
CloudFlare

12 Peter Thiel/4
FOUNDERS FUND
Facebook

13 Jim Breyer/5
BREYER CAPITAL
Facebook

14 Mike Maples/14
FLOODGATE
Twitter

15 Mary Meeker/21
KLEINER PERKINS CAUFIELD & BYERS
Facebook

16 Michael Moritz/13
SEQUOIA CAPITAL
LinkedIn

Special thanks to TrueBridge Capital Partners of Chapel Hill, N.C. for its wisdom and hard work in co-producing the Midas List.

LEAD REPORTER: Alex Konrad
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DATA SOURCES: Dow Jones Venture Source; CB Insights.

Go to forbes.com/midas for complete coverage, videos and interviews with top VCs.


AN ICON JUST GOT LARGER
BREITLING
1884
THE NEW NAVITIMER 46 mm

SACCA IS BUSY BUILDING what will be one of the premier houses in Manhattan Beach, a terraced 5,000-square-foot place powered by solar panels. It should be ready by August, but until then, he, his wife, Crystal, and their two young daughters (a third child is on the way) have been camping out at a nearby guesthouse.

Due at a board meeting, Sacca bounds in, ripping off his beach T-shirt to get into his investor uniform. Steve Jobs had his black turtleneck. Chris Sacca has his embroidered cowboy shirt. He bought his first one, impulsively, at the Reno airport en route to a speech, and the reaction prompted him to buy out half the store on his return. He now owns almost 70, in various flavors, which he keeps near his front door and in the trunk of his car in case of emergency. "Entrepreneurs get disappointed when I show up without one of these," he says, donning a black shirt with silver stitching.

The Howdy Doody look is just one more of Sacca's incongruities. He's only from the West if you define it as western New York. He grew up in a suburb of Buffalo, the son of a college professor and a lawyer. A top student, he wound up at his father's alma mater, Georgetown, and then Georgetown Law.

Sacca did not, however, make for a natural lawyer. As an associate at Fenwick & West's Silicon Valley office he sat in on a meeting one day with John Doerr, the famed partner at venture firm Kleiner Perkins Caufield & Byers. "It became obvious to me that the investing side was where the action was." Let go during the dot-com bust, Sacca wound up cold-calling members of the FORBES Midas List for a job, with no luck. Finally he landed at a startup, Speedera Networks, helping to fend off continual lawsuits from its larger rival Akamai.

In November 2003 he jumped to Google, where he got a job on the legal and business development team going undercover to scout locations with low taxes—and cheap electricity—for Google's new data centers and then creating nondescript holding companies to buy up the land.

Sacca started sponging up intel in whatever senior executive meetings he could muscle into. Former Google manager turned investor Hunter Walk remembers walking into a meeting with Larry Page one day to update him on AdSense. Sacca, with no advertising role or background, chimed in with advice. "Google then was a culture that rewarded people who got things done," says Susan Wojcicki, a longtime Google executive who is now the CEO of YouTube. "He gravitated toward interesting projects and the new important ideas, always trying to work on the next big thing."

MIDAS NEWCOMER **REBECCA LYNN** GOT IN EARLY WITH LENDING CLUB, THE BIGGEST 2014 IPO FOR AN AMERICAN TECH FIRM. THE RISING STAR WAS THE FIRST IN HER FAMILY TO ATTEND COLLEGE.

He sometimes put his foot in his mouth. Sacca was on a fellowship at the University of Oxford when, speaking publicly at a conference, he blamed wireless carriers for Google Maps not appearing on U.K. phones, sparking a headline that embarrassed the Google Android group. His boss, general counsel David Drummond, told him to start prepping his résumé. Instead, Page reassigned Sacca to work on wireless projects, including an ambitious but ultimately failed effort to bring free Wi-Fi to San Francisco. "During one of our meetings Chris volunteered to drive around the city and rubber-band routers to street lamps," says Mayer, who got to know Sacca

BY THE NUMBERS

15 NEWCOMERS

7 RETURNEES

5 WOMEN

11 BILLIONAIRES

2015 RANK Name /2014 Rank
FIRM
Biggest Deal

17 Aneel Bhusri/17
GREYLOCK PARTNERS
Workday

18 Fred Wilson/15
UNION SQUARE VENTURES
Twitter

19 Marc Andreessen /2
ANDREESSEN HOROWITZ
Facebook

20 Yuri Milner/35
DIGITAL SKY TECHNOLOGIES
Facebook

21 Roelof Botha/29
SEQUOIA CAPITAL
Square

22 Steven Ji/New
SEQUOIA CAPITAL CHINA
Dianping.com

23 Rebecca Lynn/New
CANVAS VENTURE FUND
LendingClub

24 Salil Deshpande/67
BAIN CAPITAL VENTURES
LendingClub

25 Ben Horowitz/20
ANDREESSEN HOROWITZ
Twitter

26 Promod Haque/27
NORWEST VENTURE PARTNERS
FireEye

27 David Sze/16
GREYLOCK PARTNERS
Facebook

28 Jeremy Levine/19
BESSEMER VENTURE PARTNERS
Pinterest

29 Alfred Lin/26
SEQUOIA CAPITAL
Airbnb

30 John Doerr/23
KLEINER PERKINS CAUFIELD & BYERS
Uber

31 Todd Chaffee/18
INSTITUTIONAL VENTURE PARTNERS
Twitter

32 Hurst Lin/54
DCM
E-Commerce China

33 Danny Rimer/85
INDEX VENTURES
Facebook

34 Reid Hoffman/7
GREYLOCK PARTNERS
LinkedIn

35 Jixun Foo/Returnee
GGV CAPITAL
Xiaomi

36 Asheem Chandna/55
GREYLOCK PARTNERS
Palo Alto Networks

37 Sameer Gandhi/41
ACCEL PARTNERS
Flipkart

SPENCER A. BROWN

at Google because of the project.

Sacca tried other projects as well, such as head-faking a multibillion-dollar bid in a spectrum auction (a ploy that succeeded in driving up the price for carriers), but hit a wall with Eric Schmidt when his group pushed to acquire two satellite companies. Schmidt, then the CEO, wanted Google to hoard cash and brace for a downturn. In December 2007, with most of his options vested, Sacca quit.

FOR THE NEXT 18 MONTHS Sacca took his spectrum project and helped execute it on behalf of Philip Falcone's investment firm Harbinger Capital, netting several million dollars in fees for himself. While he spent an increasing amount of time at a house in Truckee, a town that sits atop Lake Tahoe, he decided to focus on angel investing in Silicon Valley.

He'd done a bit of it at Google, but it was somewhat rogue. One of Sacca's Google friends had gone off to launch a podcasting startup called Odeo. By 2006 the guy, Evan Williams, had decided instead to start a new microblogging service called Twttr and asked Sacca if he wanted in. Sacca wrote a check for $25,000 and started tweeting madly, intrigued by the service's revenue and data potential. Sacca even caused one of the service's first gaffes, when he privately messaged graphic details of a fatal car accident he had witnessed in San Francisco and Twitter posted it unintentionally on a public feed.

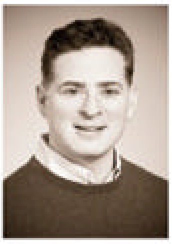
"He became an investor, an advisor, a friend," says Williams. "But the most helpful thing was that he's such an enthusiast. He made us believe in our own product more." When early celebrity adopter Shaquille O'Neal sent out a viral tweet or when a Twitter handle appeared on a TV talk show, Williams and his core team would get a one-word note from Sacca: "BIG."

Through 2009 Sacca continued to make savvy individual investments in companies like Kickstarter, Twilio and Lookout, until he started running out of cash. He'd joined Google too late to make tens of millions. Hans Swildens, an old contact from his Speedera days, was running a firm called Industry Ventures in town. Swildens liked what he saw in Sacca's angel investments and suggested he raise a fund. Industry would sign the first check for Lowercase Capital, joined by Google friends like Mayer and, improbably, Schmidt. "It's easy to forget now, but in 2009 or 2010 early-stage stuff was still risky-feeling, and the market was still a big question mark," says investor Brad Feld, a mentor and eventual investor in the fund.

His bet on Instagram, started by another ex-Googler, Kevin Systrom, would follow, but in late 2009 he scaled up his investing to another level when he decided to deepen his position in Twitter. "I wasted months trying to get others to believe it could be a real business, not just a toy," he says. "And I decided to just buy it all myself." Emulating his Google land-buying, he created four funds with generic names to buy up privately held Twitter shares from former employees. He wasn't the only one. Ron Conway, a former mentor and the cofounder of SV Angel, began raising tens of millions with much the same goal.

Sacca had been content to raise a few million more, but a little-known friend with billions under management named Suhail Rizvi convinced him to go big. The coup came when Ev Williams approached Sacca to sell $400 million of his Twitter shares. Sacca then went traveling in Southeast Asia, with a secret plot to propose to his girlfriend (now wife) in the place where her parents had gotten married. That accomplished, he rolled up his sleeves on the Williams deal.

Sacca secretly secured commitments for up to $1 billion in 30 days from J.P. Morgan and municipal endowments. He and Rizvi spent it over the next 18



THE LONG BULL MARKET IN BIOTECH IPOS HELPED **JONATHAN SILVERSTEIN** RISE UP THE RANKS AGAIN. HIS FIRM, ORBIMED ($10 BILLION UNDER MANAGEMENT), JUST CLOSED ON ANOTHER FUND, FOR $735 MILLION.

2015 RANK	Name /2014 Rank	FIRM	Biggest Deal
38	Gaurav Garg/86	WING VENTURES	Jawbone
39	Aydin Senkut/50	FELICIS VENTURES	Adyen
40	Ron Conway/65	SV ANGEL	Twitter
41	Harry Weller/34	NEW ENTERPRISE ASSOCIATES	Groupon
42	Navin Chaddha/30	MAYFIELD FUND	Qunar
43	Hans Tung/69	GGV CAPITAL	Xiaomi
44	Brian Singerman/New	FOUNDERS FUND	Spotify
45	Rob Hayes/75	FIRST ROUND CAPITAL	Uber
46	Lee Fixel/58	TIGER GLOBAL MANAGEMENT	Facebook
47	Xiaojun Li/New	IDG CAPITAL PARTNERS	Xiaomi
48	Scott Shleifer/New	TIGER GLOBAL MANAGEMENT	Alibaba
49	Ann Lamont/46	OAK INVESTMENT PARTNERS	Castlight Health
50	David Chao/Returnee	DCM	Renren
51	Ryan Sweeney/45	ACCEL PARTNERS	Groupon
52	Michael Goguen/44	SEQUOIA CAPITAL	FireEye
53	Jonathan Silverstein/89	ORBIMED ADVISORS	Avanir Pharmaceuticals
54	Bryan Roberts/61	VENROCK	Juno Therapeutics
55	Joel Cutler/47	GENERAL CATALYST PARTNERS	Airbnb
56	Charles Moldow/New	FOUNDATION CAPITAL	LendingClub
57	Deven Parekh/22	INSIGHT VENTURE PARTNERS	Twitter
58	Neeraj Agrawal/37	BATTERY VENTURES	Groupon

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months, buying out former employees and other investors right up until the cap table closed in May 2013, before the IPO. When the positions became known, other investors were ticked off to see Sacca's camp had accumulated the largest outside position in Twitter right under their noses. "He was an innovator with that secondary, structuring a number of vehicles that didn't really exist like that before," says Anderson at Baseline. "He saw the chance before other people saw, so they asked: 'How did this no-name dude come up with all this capital?' "

The person who gave up the most potential upside in raw dollars, Williams, sees no problem with what Sacca did. "In retrospect, if I had perfect knowledge I wouldn't have sold any stock then," Williams says. "Some people didn't like what he was doing, but he did what anyone would." The value of Sacca's first Twitter fund, Lowercase Industry, has soared about 1,500%. All told, his various Twitter deals have returned $5 billion to investors.

Well before the Twitter machination came to light, Sacca was cementing his reputation as a reliable friend to startups post-financial-crisis. A group of San Francisco entrepreneurs and investors would often soak for hours in Sacca's hot tub at the Truckee house, drinking and laughing and talking. The so-called Jam Tub had its own check-in on Foursquare, and serial entrepreneur Travis Kalanick was its unofficial mayor.

The Jam Tub was an annex to Kalanick's Jam Pad, his home in the Mission district of San Francisco, where a rotating crew of techies would brainstorm, party and enjoy a home-cooked meal. Sacca went at times, but Kalanick's friend Garrett Camp, the founder of the website discovery tool StumbleUpon, was a fixture. Camp, who sold StumbleUpon to eBay for $75 million in 2007, had the idea to make an app so his friends could book a black car to take them around town. He first called it UberCab. Camp's friend and early advisor, the author Tim Ferriss, remembers that the idea seemed "ridiculous" to many outside the Jam Pad circle. "People who had the opportunity to invest laughed it off as this one-percenter vanity service," Ferriss says. "Chris was not one of them. He had faith very early on."

Kalanick became a mega-advisor of sorts to the fledgling startup, and Sacca wanted a piece. The pair cemented the startup's angel $1.3 million financing at the Truckee house, with Sacca ponying up $300,000, a large check for an $8 million fund. "I went all-in," he says. More than just money, he helped negotiate Kalanick's compensation and secure the Uber name from Universal Music Group. Lowercase would add another $400,000 worth of Uber at the Series A round in early 2011, led by Benchmark Capital's Bill Gurley *(see story, p. 78)*, and Sacca would make more side investments later on.

FORMER BENCHMARK EUROPE VC **KLAUS HOMMELS** MADE A BIGGER NAME FOR HIMSELF WITH U.S. DEALS SUCH AS FACEBOOK AND AIRBNB. HE ALSO SCORED WITH EURO NAMES SUCH AS SKYPE AND XING.

Through a spokesperson, Kalanick declined to comment, but conversations with those with knowledge of the pair and the startup's early days indicate that the Uber CEO got upset with Sacca for trying to repeat his Twitter move of buying up secondary shares in Uber from other initial investors. "Travis was 110% about the company, and with Chris it became a 'What about Chris?' issue," says one of these sources. Kalanick told Sacca to stop coming to board meetings, which Sacca monitored as an advisor. They barely speak today.

"What's frustrating is I honestly don't know what's wrong," Sacca says. "I've apologized multiple times." When pushed, he concedes that his efforts to buy shares might have created a rift. Kalanick kept telling him it was impractical to do, Sacca says, yet Sacca kept coming up with workarounds. "I guess

2015 RANK Name /2014 Rank
FIRM
Biggest Deal

59 Bijan Sabet/32
SPARK CAPITAL
Twitter

60 Randy Glein/42
DRAPER FISHER JURVETSON
Twitter

61 Kui Zhou/81
SEQUOIA CAPITAL CHINA
Dianping

62 Kevin Efrusy/25
ACCEL PARTNERS
Facebook

63 Matt Cohler/99
BENCHMARK CAPITAL
Dropbox

64 Ken Howery/New
FOUNDERS FUND
Facebook

65 Klaus Hommels/51
LAKESTAR
Facebook

66 Richard Wong/24
ACCEL PARTNERS
Atlassian

67 Ping Li/49
ACCEL PARTNERS
Cloudera

68 David Weiden/68
KHOSLA VENTURES
Jawbone

69 Anton Levy/New
GENERAL ATLANTIC
Alibaba

70 Mitch Lasky/New
BENCHMARK CAPITAL
Snapchat

71 Sandy Miller/38
INSTITUTIONAL VENTURE PARTNERS
Zynga

72 George Zachary/40
CHARLES RIVER VENTURES
Twitter

73 David Cowan/Returnee
BESSEMER VENTURE PARTNERS
LinkedIn

74 Richard Liu/84
MORNINGSIDE GROUP
Xiaomi

75 George Bischof/39
MERITECH CAPITAL PARTNERS
Isilon

76 Robert Ward/31
MERITECH CAPITAL PARTNERS
Cloudera

77 Josh Stein/97
DRAPER FISHER JURVETSON
Box

78 Dennis Phelps/Returnee
INSTITUTIONAL VENTURE PARTNERS
Snapchat

79 Bruce Golden/Returnee
ACCEL PARTNERS (LONDON)
Qlik Technologies

ANTHONY HARVEY/GETTY IMAGES FOR TECHCRUNCH

I wasn't hearing what he was really saying, which was 'Don't f--king do it.' "

IF SHUNNED BY MANAGEMENT, Sacca remains loyal to the product: Back in Manhattan Beach Sacca orders an Uber to take him, cowboy shirt and all, to the board meeting.

En route a famous founder asks him to tweet in support of a new hire. Sacca gobbles up every one of the ensuing Twitter mentions before we arrive at a small, poorly ventilated office building in Santa Monica. This, he says, is the home of his next big score.

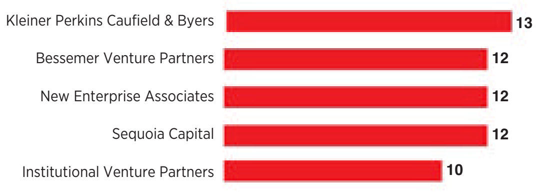
Sacca met InVenture CEO Shivani Siroya at a TED dinner when he spotted Siroya sitting by herself on the fringe. Hours later he was sold on the former financial consultant and UN analyst's vision for a new way to score credit in the developing world. "Once I determined she wasn't allergic to money, it was a no-brainer," Sacca says. Sacca greets Ted Rheingold, the COO he helped match with Siroya, and the other staff like old friends as each discusses the group's progress.

Six months ago these meetings were depressing. InVenture's business wasn't working in India, and since it didn't handle the loans itself, the payback wasn't there. Now it's growing rapidly in Kenya, and the team shows Sacca detailed breakdowns of how Kenyans' spending varies in different neighborhoods and what they take loans for and why. Their repayment rates, Siroya tells him, are higher than those for loans in the U.S. "How much more fun is this?" he asks one manager whose last project was shuttered. Sacca then leans forward and looks across the table right at his founder, waiting for eye contact. "You've got more data on users even than Travis," he says. "This is freaking big. It's time to move from the dreamy hypothesis phase to wanting to fan the flames."

Friends wonder out loud, though, how much more fire Sacca has for the kind of startup discovery and coaching that has defined his rise—especially when success seems twinned with friction. Sacca now oversees a few billion dollars in more than a dozen funds, with cowboy names like Stampede, Frontier and Spur. But he's going to far fewer meetings, preferring to spend time at the beach and a new house in Montana. Rivals feed this narrative, whispering that he's dialing back. Sacca is not denying it. Two years ago he brought in his first partner, Matt Mazzeo, a rising CAA agent, who is taking on more of the seed investing for Lowercase's funds. Says Mazzeo: "I don't think Chris is one of those guys who makes a ton of money and drops the mic and leaves the room. He loves the people in the room so much that he'll stay."

"He's young," adds Sacca's close friend actor Edward Norton, who has cofounded startup CrowdRise, "and I could imagine the appeal of not wanting to manage other people's money forever." If Sacca wants to amp it up, given his base in L.A., his outsize personality and his signature look, there's surely a future for him in show biz, extolling and beating up entrepreneurs in the vein of a Cuban or Trump. Sacca smiles at the thought: "Being quiet is not a natural state for me."

FIRMS WITH THE MOST EXITS[1]



[1]Since January 2014

FIRMS WITH MOST PARTNERS ON LIST

2015 RANK Name /2014 Rank
FIRM
Biggest Deal

80 Jim Tananbaum/New
FORESITE VENTURES
Puma Biotechnology

81 Shervin Pishevar/90
SHERPA VENTURES
Uber

82 Jeffrey Jordan/48
ANDREESSEN HOROWITZ
Airbnb

83 Bryan Schreier/72
SEQUOIA CAPITAL
Dropbox

84 David Lee/82
SV ANGEL
Airbnb

85 Izhar Armony/79
CHARLES RIVER VENTURES
Yammer

86 Venky Ganesan/57
MENLO VENTURES
Palo Alto Networks

87 Suyang Zhang/Returnee
IDG CAPITAL PARTNERS
Tian Ge Interactive

88 Andrew Braccia/New
ACCEL PARTNERS
Cloudera

89 Carl Gordon/64
ORBIMED ADVISORS
Inhibitex

90 Satish Dharmaraj/New
REDPOINT VENTURES
Pure Storage

91 Beth Seidenberg/New
KLEINER PERKINS CAUFIELD & BYERS
Flexus Biosciences

92 Shawn Carolan/New
MENLO VENTURES
Uber

93 Peter Wagner/53
WING VENTURES
Nimble Storage

94 Mamoon Hamid/80
THE SOCIAL+CAPITAL PARTNERSHIP
Box

95 Mike Volpi/Returnee
INDEX VENTURES
Pure Storage

96 Ben Nye/28
BAIN CAPITAL VENTURES
LinkedIn

97 Gordon Ritter/78
EMERGENCE CAPITAL PARTNERS
Veeva Systems

98 Jeff Crowe/77
NORWEST VENTURE PARTNERS
LendingClub

99 Ted Schlein/62
KLEINER PERKINS CAUFIELD & BYERS
Shape Security

100 Michael Dearing/New
HARRISON METAL
AdMob

FIVE IS ALL

BY ALEX KONRAD

TIMOTHY ARCHIBALD FOR FORBES

UBER IS ALSO THE LATEST HIT FOR BENCHMARK, A FIRM WHOSE RECORD MAKES OTHER VC SHOPS LOOK OVERHYPED AND OVERSTAFFED.

The first topic of conversation at one of Silicon Valley's most exclusive dinners is usually the table. Made of a deep-brown walnut, the table isn't oval or square but a distinctive asymmetrical rounded triangle. It's been custom-built for its hosts, Benchmark Capital, which uses it for partnership lunches and semisecret week-

YOU NEED

Benchmark's entire partnership in one photo, outside their San Francisco offices: Bill Gurley, Mitch Lasky, Eric Vishria, Matt Cohler, Peter Fenton.

PHOTO CREDIT GOES HERE

ly dinners with select members of the Valley's brain trust. The events are exclusive salons that tackle everything from the future of mobile computing to the features that drive Twitter's success. "The table's dimensions make it perfect for seven people to all speak together," says Bill Gurley, the firm's longest-serving active partner.

Giving everyone not just a voice but an equal voice is Benchmark's stock-in-trade. Unlike most of its rivals Benchmark is deliberately egalitarian. There are no junior or senior partners, only partners, and no one plays a CEO-like role. The firm's winnings—2.5% in management fees and 30% of the upside—are divided equally.

At a time when buzzy firms like Andreessen Horowitz or Google

Ventures lard up their payrolls with marketers, p.r. handlers, recruiters and in-house designers, Benchmark is decidedly minimalist. There's only a small staff to support the five partners. Its website is a spartan, static page with exactly one hyperlink, which directs visitors to the Twitter feeds of its portfolio companies. And the firm has eschewed the temptation to raise ever larger funds, keeping its own below $500 million. "We're more of a jazz band than a marching band," says partner Peter Fenton (No. 2 on the Midas List).

Benchmark's approach may be contrarian, but it has worked beautifully. Over the 20 years of its existence the partnership has backed many of the biggest names of the Internet era, such as Dropbox, eBay, Instagram, Yelp and Zillow. The last few years have proven especially lucrative. A $32 million bet on Twitter is now worth $2.2 billion. A $21 million Snapchat investment, led by partner Mitch Lasky (No. 70 on the list), is held at $2 billion. Benchmark's reward for being one of the first VCs to back Uber is an estimated $7 billion stake in the car-hailing behemoth. On a single day in December Fenton celebrated IPOs for two portfolio companies: New Relic and Hortonworks. Benchmark's eight funds have paid out $22.6 billion to investors over the years. Its backers received a 1,000% gross gain over the past decade. That beats out most billion-dollar funds raised by larger firms. It's no surprise that some of its most successful rivals say Benchmark is the firm they admire—and fear—the most. "They benefit from being extremely focused," says Jim Goetz (No. 1 on the Midas List) of Sequoia Capital, which has offices and funds in India, Israel and China. "They've taken a different view on the world."

Its size forced Benchmark to be scrappy, hungry—and fast. A year after bonding with Benchmark partner Matt Cohler (No. 63 on Midas) in Davos in 2010, Domo CEO Josh James pitched him on his new startup idea. Cohler asked him to present to the whole partnership the next morning. James wasn't just any entrepreneur—he'd sold his last company, Omniture, to Adobe for $1.8 billion. "It felt like a Hollywood movie," says James. "Cohler said, 'We don't want to invest $10 million. That's monkeying around. We won't give you $20 million, that's how big we think this is. You are Josh effing James, and you need $30 million, and we want to do this right now.' " They inked a term sheet within 30 minutes after the meeting, and 17 days later the cash was in his account. Benchmark netted one of its biggest fish, Uber, with good-humored antics that carried a not-so-subtle message to CEO Travis Kalanick: We know you're talking to rivals, but we know the app better. As Cohler and Gurley prepared for a pitch meeting, Cohler spotted an Uber car waiting for Kalanick at a venture firm nearby on Sand Hill Road. "So Matt just called the car away, and Travis had to run the whole way over," Gurley says. "He comes in 20 minutes later and sweaty. That night we sent him tennis shoes."

"WE WON'T GIVE YOU $20 MILLION. YOU ARE JOSH EFFING JAMES, AND YOU NEED $30 MILLION. LET'S DO THIS NOW."

Over the years, Benchmark has developed something of a rule book. It focuses almost exclusively on a company's first or second institutional round of funding and likes to take the biggest stake of any outside investor plus a board seat. Because of its reputation about 60% of Benchmark's deals come from referrals or repeat founders, says Gurley (No. 9 on Midas). A reliable proving ground for those founders has been Benchmark's entrepreneur-in-residence program, which counts the likes of Nextdoor CEO Nirav Tolia, New Relic CEO Lew Cirne and SurveyMonkey CEO Dave Goldberg as alumni.

Benchmark wasn't always true to its credo. During the dot-com bubble it made a bid to go global, opening offices in London and Tel Aviv. Though the results were solid, the firm dynamics grew increasingly strained. Gurley missed out on Skype by trying to hand the investment off to his European partners, and the different offices struggled to stay on the same page without anyone serving in a CEO role. By 2007 they started scrapping the experiment, spinning out its European and Israeli units.

Being small can have its downsides: Some major tech companies have slipped through Benchmark's grasp. The biggest misses include Google, which Benchmark had a chance to pursue but didn't, and Airbnb, on which Benchmark initially got a bad read, Cohler says.

The biggest question facing Benchmark now is how to maintain its winning streak as new partners join and veterans like Gurley and Fenton eventually move on. The firm is seeking the answer with typical intensity. At the Monday partner meetings they spend an hour running through a list of candidates. The process is exhaustive: Eric Vishria, the newest recruit, auditioned for ten months. The firm wants to add a couple of partners over the next few years. The goal, says Gurley, is to avoid the generational struggles that have hobbled other Valley firms: "That's the biggest secret of Benchmark. When our founders were at the peak of their powers, they handed us the keys." F

Stealth no more: CEO Kirt McMaster and CTO Steve Kondik at Cyanogen's offices in an old plumbing supply store in Palo Alto, Calif.

CREDIT TK

APPLE. GOOGLE. CYANOGEN?

A BRAZEN STARTUP HAS A VERY REAL SHOT AT BUSTING UP THE WORLD'S SMARTPHONE DUOPOLY.

BY MIGUEL HELFT

PHOTOGRAPHS BY ERIC MILLETTE FOR FORBES

It's a little hard to take Kirt McMaster seriously at first. He tends to run on his own schedule, and when he shows up 20 minutes late for a meeting on a recent weekday, there's not so much as a mention of his tardiness, let alone an apology. In black jeans, a black hoodie that looks a half-size too small, brown Birkenstock sandals and a pair of fat black rings—one on his left thumb, one on his right pinkie—the 46-year-old looks more like a techno beach bum than an entrepreneur. He works out of a squat, gray, converted plumbing-supply store in Palo Alto, Calif. that doesn't call attention to the fact that his startup, Cyanogen, is housed inside. The period sign on the façade says "John F. Dahl Plumbing and Heating (since 1895)." The wardrobe and the location are disguises, necessary when one is hatching one of the most daring plots in Silicon Valley history. But McMaster happily blows his cover minutes into our conversation, summing up his mission—preposterous as it sounds—in his booming baritone: "We're putting a bullet through Google's head."

The time is ripe for someone to try. The mobile revolution kicked into gear by the iPhone is getting stagnant just as it's reaching a new inflection point. The number of smartphones on the planet is expected to grow from about 2.5 billion to nearly 6 billion by 2020. Prices for fast and feature-rich mobiles are crashing, allowing new powerhouses like Xiaomi to emerge in record time. Yet Apple's iOS and Google's Android control 96% of the mobile operating system market. It's their chess game, and we all get to choose between white and black. McMaster doesn't so much want to insert himself between Apple and Google as to kick their chessboard over and deliver to the world a third option, Cyanogen, a six-year-old mobile operating system that's essentially a souped-up version of Android and available outside of Google's control.

McMaster, who revealed his plans in detail for the first time in a series of interviews with FORBES, is amassing a war chest and powerful allies to go to battle. Cyanogen just raised $80 million from investors that include Twitter, mobile chip powerhouse Qualcomm, carrier Telefónica and media titan Rupert Murdoch. The round, which values Cyanogen at close to $1 billion, is being led by PremjiInvest, the investment arm of Wipro's billionaire founder, Azim Premji, India's third-richest man. Earlier investors pumped an additional $30 million into Cyanogen, among them: Benchmark, Andreessen Horowitz, Redpoint Ventures and Tencent. Microsoft, which considered investing in Cyanogen, is not participating in the current round, according to people familiar with its decision. But, these people say, Microsoft and Cyanogen are close to finalizing a wide-ranging partnership to incorporate several of Microsoft's mobile services, including Bing, the voice-powered Cortana digital assistant, the OneDrive cloud-storage system, Skype and Outlook, into Cyanogen's devices. The companies declined to comment, but at least one smartphone maker said his company was planning to sell a Cyanogen phone with many of those services built in later this year.

"App and chip vendors are very worried about Google controlling the entire experience," says Peter Levine, partner with Andreessen Horowitz. That's particularly true for firms that compete with Apple or Google, among them Box and Dropbox in cloud storage; Spotify in music; Facebook, Twitter, WhatsApp and Snapchat in messaging; Amazon in commerce; and Microsoft in a wide swath of sectors. The lessons from the PC era, when Microsoft used its Windows monopoly to sideline rivals and dictate terms to PC makers, still resonate. A third choice would be welcome and unleash a new wave of mobile innovation.

"AS WITH ANY GREAT MYTH, YOU NEED A COMMON ENEMY. RIGHT NOW, GOOGLE IS THE COMMON ENEMY."

Cyanogen has a chance to snag as many as 1 billion handsets, more than the total number of iPhones sold to date, according to some analysts. Fifty million people already run Cyanogen on their phones, the company says. Most went through the hours-long process of erasing an Android phone and rebooting it with Cyanogen. McMaster is now persuading a growing list of phone manufacturers to make devices with Cyanogen built in, rather than Google's Android. Their phones are selling out in record time. Analysts say each phone could bring Cyanogen a minimum of $10 in revenue and perhaps much more.

Of course, far more powerful players have tried and failed to establish a third mobile OS in the last several years: Microsoft, BlackBerry, Samsung, Mozilla, Nokia, Intel, Palm. McMaster is well aware of this history, which is why, he says, co-opting Android is the only way down the path. Then, by opening up Cyanogen's code in ways that neither iOS nor Android have done, McMaster is hoping to attract app developers who feel hemmed in by Apple and Google. A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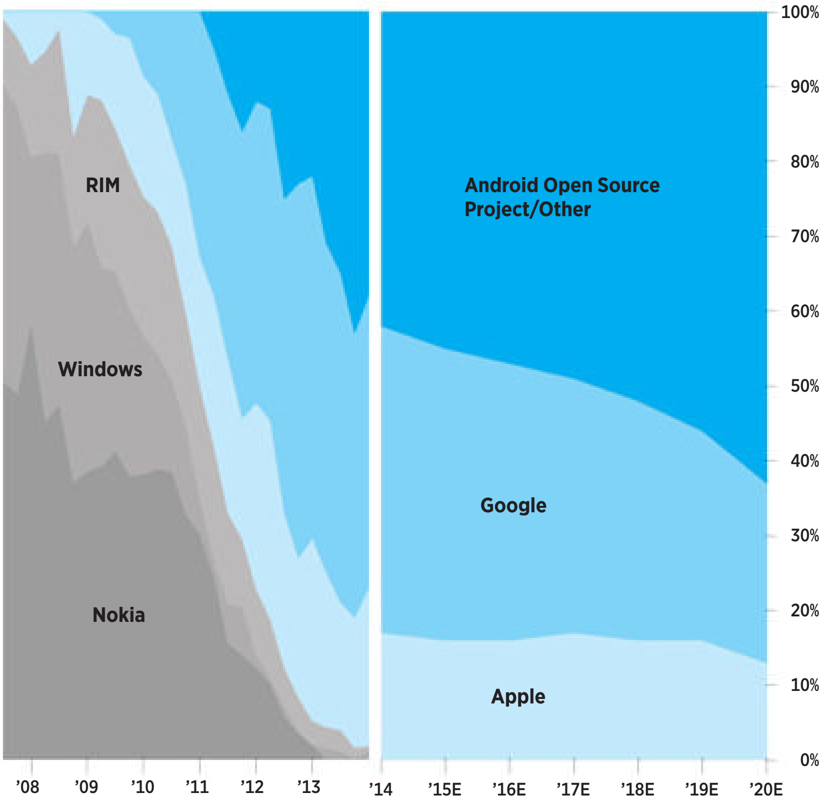
company like Visa or PayPal would be able to build a contactless payment system that works just as well or better than Google Wallet. Skype could be built into the phone dialer. A service like Spotify could become the default music player on a phone. “In a perfect world the OS should know I use Spotify for music,” McMaster says. “I should be able to talk to the phone and say ‘Play that song’ and the f---ing song plays with Spotify. It doesn’t do that today.”

CYANOGEN WAS BORN LONG BEFORE McMaster anointed himself the David to Google’s Goliath. It dates back to 2009, when Steve Kondik, a 40-year-old entrepreneur and veteran programmer, began tinkering with Android in his Pittsburgh home during late-night hacking sessions. (Android is open source, so anyone can download the code and tweak it. As long as people don’t break things, Android apps, including Google’s own—Gmail, Maps, Drive, the Play Store and others—will run without problems. And Google, which gives away Android, makes money from ads in the apps and collects data from handsets.) An engineer who taught himself to code at age 8, Kondik has a graying, receding hairline. He is as understated and measured as McMaster is brash and impulsive. Kondik began by making some changes to the Android user interface, then worked on improving performance and extending battery life. Pretty soon a community of hundreds of developers coalesced around him and began contributing their coding skills to the Cyanogen endeavor, then called CyanogenMod. “It was completely unexpected,” Kondik says. “There was no grand vision.”

Online forums started buzzing about Kondik’s highly customizable version of Android, and by October 2011 a million people had installed Cyanogen on their phones. Eight months later it was 5 million. Eventually Samsung took notice and hired Kondik to join a research and development team in Seattle. The company gave him permission to continue with his off-hours hacking of Android. “It very quickly took over my life,” says Kondik, who remains in Seattle, where most of Cyanogen’s engineers work. (The company has fewer than 90 employees but receives contributions from as many as 9,000 open source programmers.)

SMARTPHONE REALIGNMENT

CHINA IS DRIVING GROWTH OF ANDROID AND VARIANTS FREE OF GOOGLE APPS (AOSP). CYANOGEN IS PUSHING THE TREND GLOBALLY.



E: ESTIMATE. *SOURCE: ASYMCO.*

While Kondik was hacking with his band of programmers, McMaster was bouncing around various tech firms. A Canadian who grew up in Nova Scotia and dropped out of college, he joined a Silicon Valley startup during the dot-com boom and later moved to southern California, where he worked at a handful of digital marketing agencies. He then helped run Boost Mobile, a prepaid wireless service that originated in Australia and is now owned by Sprint. McMaster later went to work at Sony, helping to plot mobile strategies. Like many techies McMaster was an early iPhone user. But as he brainstormed business ideas, he grew increasingly intrigued with Android’s openness. In 2012 he bought a Samsung Galaxy 3, the first Android phone he felt was on par with the iPhone, but he immediately grew frustrated that the latest Android version—known as Jelly Bean—was not available for it. So McMaster wiped his Galaxy clean and installed CyanogenMod, which, thanks to its army of programmers, had already incorporated the Jelly

Bean update. This, McMaster says, led to an epiphany of sorts while he was working out one afternoon at a gym in Venice, Calif. If you could flash a device with an open operating system, you could customize it as much as you wanted. “It means you can do whatever you want with the device,” McMaster says.

That evening he found Kondik through LinkedIn, and the two got on the phone. McMaster did most of the talking, pitching Kondik on a plan to turn his open source project into a company. “I’ll be CEO; you’ll be CTO. I’ll get some money. Let’s go,” McMaster remembers saying. Kondik invited McMaster to Seattle, and the two met the next day at a brew pub where McMaster’s unfiltered enthusiasm and Kondik’s caution collided. “I was really skeptical at first,” Kondik says. Still, within 48 hours the pair had agreed to team up, and Cyanogen, the open source project, spawned Cyanogen, the company. While some longtime Cyanogen community members howled at the notion that their project was going corporate, McMaster brushes off their concerns with a wave of the hand. (A third cofounder, Koushik Dutta, left the company in 2014.)

McMaster and Kondik got a chilly reception at first from the moneymen of Sand Hill Road. The reaction of Andreessen Horowitz’s Levine was typical. “I didn’t believe a startup could come in and create a new OS,” says Levine, who went on to invest in Cyanogen’s second round and kicks himself for passing on the first. Others were put off by McMaster’s braggadocio. But in Benchmark partner Mitch Lasky the duo found a receptive ear (*see story, p. 78*). The fact that millions of people had taken the trouble to install Cyanogen showed that demand was real, Lasky says: “There are a couple of billion potential Android handsets in the world. Even a small percentage of them is a massive market.”

HOW FAR CYANOGEN HAS EVOLVED from hobbyist Tinkertoy to mainstream smartphone OS is on display inside Joseph Reid’s Toyota Prius, which he drives around San Francisco. Like many fellow drivers for the Lyft on-demand car service, Reid gets his customers and directions through a smartphone mounted on his dashboard. His is a head-turner: thin and elegant, with a striking 5.5-inch screen. It’s a Chinese-made OnePlus One, a Cyanogen phone released last year that Gizmodo called an “unbelievably fantastic smartphone.” The device outperforms many of its competitors, including, in various tests, the iPhone 6. It starts at $300, without a subsidy. Google’s Nexus 6, which has similar specs and is considered the top of the line for Android, costs twice as much. The OnePlus One is Reid’s second Cyanogen phone. He got hooked on the software a year earlier after he bought a Samsung Galaxy S4. Reid didn’t care for the apps that Samsung and Sprint had put on it, and the overall experience fell short of his expectations. So Reid installed Cyanogen. “People remarked how fast it was,” he says. The OnePlus One is even faster. The company has sold close to 1 million to date.

CYANOGEN HAS A CHANCE TO SNAG AS MANY AS 1 BILLION HANDSETS, MORE THAN THE TOTAL NUMBER OF IPHONES SOLD TO DATE.

McMaster and his crew are busy courting other phonemakers. Last year Micromax, the market leader in India, began selling Cyanogen phones under its high-end Yu brand. (The deal, which made Micromax the exclusive Cyanogen seller in India, led to something of a falling-out between Cyanogen and OnePlus.) The company has released the phones in batches through its online store; they sell out within seconds. “People are lapping it up,” says Rahul Sharma, CEO of Micromax. “Every week we are ramping up production.” Sharma says he chose Cyanogen to meet customers’ demand for phones they can personalize. In many ways Micromax is following in the footsteps of Xiaomi, the $46 billion Chinese behemoth, which built a buzzy brand and a loyal following by creating highly customizable phones. But rather than hire an army of programmers to develop the software, as Xiaomi did, Micromax has outsourced the task to Cyanogen. Other brands in emerging markets are sure to jump on the same bandwagon, says Asymco’s Horace Dediu, an influential industry analyst. “Cyanogen is now an enabler for the next Xiaomis.” There are likely to be many of them. In March Alcatel, the number seven mobile phone maker in the world, said it will bring to the U.S. its 6-inch Hero 2+ running Cyanogen, for $299. Meanwhile, mobile chipset powerhouse Qualcomm said it will build Cyanogen into its “reference design,” a sort of technical template that smaller phonemakers the world over use to create phones under their own brands.

The first true expression of McMaster’s vision should come later this year in a phone being made by

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DINESH D'SOUZA VS THE LATE, GREAT CHRISTOPHER HITCHENS
"What's So Great about God"
ANTHEM FILM FESTIVAL!
JOANN SKOUSEN (PRODUCER)
Anthem
THE LIBERTARIAN FILM FESTIVAL
World's Only 100% Liberty Film Festival
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PETER SCHIFF (EUROPACIFIC)
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"Is the Golden Age of Investing Over?"
MICHAEL SHERMER (SCIENTIFIC AMERICAN) AND CONGRESSMAN ALLEN WEST
Debates on War, the American Dream, Moral Progress, and more...
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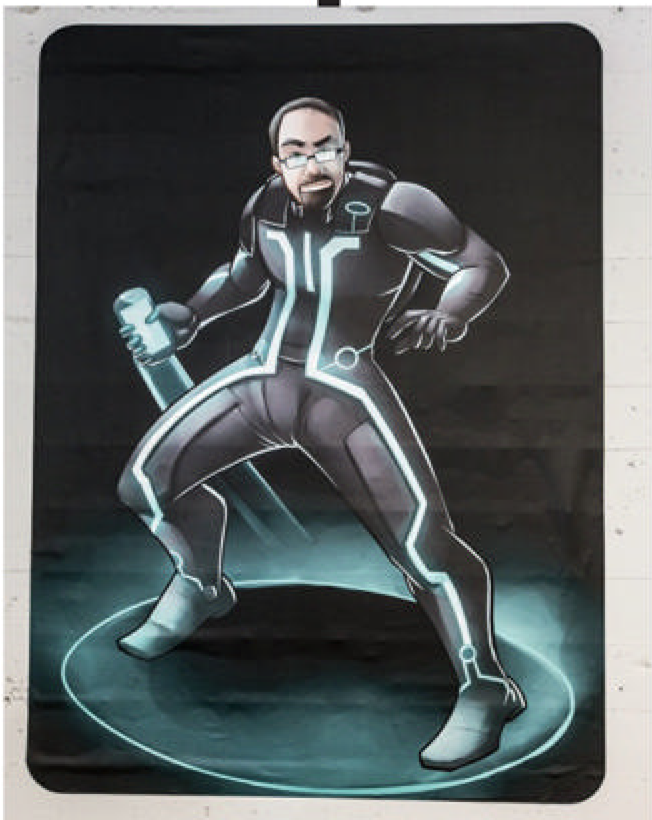
Blu. The Miami company has become one of the most popular phonemakers in Latin America; its phones are sold in the U.S. through Wal-Mart and Best Buy and are among the bestselling unlocked phones on Amazon. Blu says it will launch the first Cyanogen phone that will be stripped of Google's suite of mobile apps. While Samuel Ohev-Zion, Blu's CEO, says all the details have not yet been worked out, he envisions a phone that will use Amazon's app store, the Opera Web browser, Nokia Here for maps, Dropbox and Microsoft's OneDrive for cloud storage and Spotify for music. It would also have Bing for search and Microsoft's Cortana as a replacement for Google's voice assistant. "When these other apps are deeply integrated into the phone, most of the time they perform better than the Google apps," says Ohev-Zion.



A mural at Cyanogen has Kondik in full-on superhero mode.

Phones like these are how Cyanogen will make its real money. Today the company earns minimal revenue, selling "themes" that users can apply to customize the look and feel of their phones. (It currently relies on the Google Play Store for billing, but over time plans to build its own store.) The bigger opportunity will be from revenue-sharing deals with app developers who integrate their services deeply into Cyanogen-based phones. The deals will take many forms, from distribution to in-app purchase agreements to customized services for specific countries, says Vikram Natarajan, who runs business development for Cyanogen. In some cases the company will share the revenue from those deals with phonemakers that are struggling with narrow margins. "We will give them revenue over the lifetime of the handset that they never had before," Natarajan says.

Despite McMaster's belligerent tone, Cyanogen can succeed without doing real damage to Google, which declined to comment for this story. During an onstage interview at the Mobile World Congress in Barcelona, Sundar Pichai, the company's head of products, who oversees Android, said he's unsure what Cyanogen's selling point is. He also noted that Google's services are very popular and questioned the viability of phones that don't include them.

More likely, Cyanogen's success would amount to a huge lost opportunity for Android and hem in the company between Apple at the high end and Cyanogen elsewhere, complicating Google's prospects at a time when investors are worried that Google will never make as much money in mobile as it did on the desktop. Still, even some Cyanogen allies are not fans of the taking-down-Google talk. "Kirt's aggressive and has a lot of bravado, and I don't think the company would exist without it," says Sandesh Patnam, of PremjiInvest. "I wish he didn't poke the bear too many times and so loudly." That said, McMaster's open swipes at Google may have ancillary benefits beyond generating headlines: They make Cyanogen visible enough that Google, which operates under the glare of antitrust regulators, may think twice before doing anything that could be construed as undermining a potential rival. It's also what charges up McMaster. "As with any great myth, you need a common enemy," he says. "Right now, Google is the common enemy." F

"KIRT'S AGGRESSIVE AND HAS A LOT OF BRAVADO. I WISH HE DIDN'T POKE THE BEAR TOO MANY TIMES AND SO LOUDLY."

Maine man: L.L. Bean CEO Chris McCormick is a 32-year company veteran.

Best Employers 2015

THE HOT ECONOMY IS STOKING THE WAR FOR TOP TALENT. WHO'S WINNING? WE ASKED STATISTA.COM TO POLL 20,000 AMERICAN EMPLOYEES. THE RESULT: AN EXCLUSIVE RANKING OF MORE THAN 500 ORGANIZATIONS THEY'D RECOMMEND. IS YOUR COMPANY ONE OF THEM?

RANKING WITHIN INDUSTRY / OVERALL RANKING (OF 503)

Aerospace & Defense

Ranking within industry	Company	Overall ranking (of 503)
1	ROCKWELL COLLINS	96
2	UTC AEROSPACE SYSTEMS	205
3	BOMBARDIER	212
4	GULFSTREAM AEROSPACE	217
5	HUNTINGTON INGALLS (SHIPBUILDING)	228
6	GENERAL ELECTRIC (AVIATION)	253
7	BOEING	254
8	NORTHROP GRUMMAN	319
9	L-3 COMMUNICATIONS	321
10	LOCKHEED MARTIN	350
11	RAYTHEON	356
12	GENERAL DYNAMICS	383
13	LEIDOS	427
14	HONEYWELL (AEROSPACE)	440
15	BAE SYSTEMS	490

Automotive

Ranking within industry	Company	Overall ranking (of 503)
1	BMW GROUP	7
2	HARLEY-DAVIDSON	10
3	NISSAN MOTOR	42
4	TESLA MOTORS	113
5	FORD MOTOR	133
6	BRIDGESTONE	215
7	HONDA MOTOR	218
8	HYUNDAI MOTOR	235
9	CNH INDUSTRIAL	252
10	TOYOTA MOTOR	258
11	CONTINENTAL	267
12	MICHELIN GROUP	299
13	GOODYEAR	322
14	GENERAL MOTORS	394
15	FIAT CHRYSLER AUTOMOBILES	418

Banking & Financial Services

Ranking within industry	Company	Overall ranking (of 503)
1	EDWARD JONES	24
2	FIRST TENNESSEE BANK	27
3	VANGUARD	59
4	PRINCIPAL FINANCIAL GROUP	63
5	COMERICA	114
6	QUICKEN LOANS	119

FASHION'S HOTTEST COMPANY ... IS BASED IN MAINE

While Lands' End and other rivals struggle, 102-year-old L.L. Bean is thriving, thanks to a trendy boot—and an old-school workforce that doesn't cut corners.

BY CLARE O'CONNOR

PHOTOGRAPHS BY SHAWN HENRY FOR FORBES

7 PRUDENTIAL	144
8 GE CAPITAL	156
9 CITY NATIONAL	185
10 CHARLES SCHWAB	197
11 HUNTINGTON NATIONAL BANK	231
12 FIDELITY INVESTMENTS	283
13 BMO HARRIS BANK	288
14 CAPITAL ONE FINANCIAL	290
15 U.S. BANK	302
16 REGIONS FINANCIAL	308
17 GOLDMAN SACHS GROUP	316
18 AMERICAN EXPRESS	351
19 U.S. BANCORP	357
20 TD BANK GROUP	378
21 JPMORGAN CHASE	390
22 JOHN HANCOCK FINANCIAL	391
23 BNP PARIBAS	393
24 LEGG MASON	397
25 FRANKLIN TEMPLETON INVESTMENTS	409

Business Services & Supplies

1 SERCO	39
2 CDW	56
3 CBRE GROUP	71
4 ADP	101
5 PRODUCTION MANAGEMENT IND	195
6 ECOLAB	275
7 VEOLIA NORTH AMERICA	337
8 STERLING GLOBAL OPERATIONS	343
9 ADECCO	360
10 DYNCORP	369
11 FISERV	415
12 CENTURY 21	429
13 ADVANTAGE SALES & MARKETING	438
14 SUTHERLAND GLOBAL SERVICES	447
15 QUAD/GRAPHICS	456
16 COMPASS GROUP	458
17 ACCESS BUSINESS GROUP	461
18 BCD TRAVEL	462
19 AEROTEK	468
20 HALLIBURTON	470
21 PARALLON BUSINESS SOLUTIONS	473
22 CACI INTERNATIONAL	476
23 SAIC	480
24 ARAMARK	488
25 CARDINAL HEALTH	499

Clothing, Shoes, Sports Equipment (Manufacturing & Retail)

1 L.L. BEAN	5
2 UNDER ARMOUR	87
3 DRESSBARN	103
4 J CREW GROUP	106
5 NORDSTROM	208
6 VF CORP.	277
7 PVH	314
8 NIKE	317
9 H&M	335
10 LANDS' END	355
11 SKECHERS	363
12 LANE BRYANT	370
13 TIFFANY & CO.	400
14 BASS PRO SHOPS	402
15 URBAN OUTFITTERS	421
16 EXPRESS	422
17 GAP	428
18 OLD NAVY	434
19 AEROPOSTALE	445
20 ACADEMY SPORTS + OUTDOORS	467
21 T.J. MAXX	487

RANKING WITHIN INDUSTRY

Best Employers 2015

OVERALL RANKING (OF 500)

22	FOOT LOCKER	491
23	JCPENNEY	494
24	SPORTS AUTHORITY	498
25	MARSHALLS	502

Construction, Oil & Gas Operations, Mining & Chemicals

1	MARATHON PETROLEUM	3
2	BASF	14
3	DUPONT	48
4	PRAXAIR	116
5	CONOCOPHILLIPS	131
6	CHEVRON	155
7	PPG INDUSTRIES	159
8	AIR PRODUCTS (INDUSTRIAL GASES)	188
9	ASHLAND (INGREDIENTS & MATERIALS)	206
10	SKANSKA	246
11	KIEWIT CORP.	250
12	SHERWIN-WILLIAMS	270
13	BAKER HUGHES	278
14	VALERO ENERGY	280
15	BECHTEL	340
16	ROYAL DUTCH SHELL	373
17	EXXON MOBIL	379
18	MOMENTIVE PERFORMANCE MATERIALS	388
19	LYONDELLBASELL	423
20	SCHLUMBERGER	448
21	FLUOR	455
22	AMERIGAS PARTNERS	469
23	DOW CHEMICAL	484
24	BP	495

Consulting & Accounting

1	CBIZ	123
2	MERCER	200
3	ACCENTURE	281
4	PRICEWATERHOUSECOOPERS	286
5	ERNST & YOUNG	289
6	BATTELLE MEMORIAL INSTITUTE	309
7	CROSSMARK	376
8	WESTAT	382
9	DELOITTE	386
10	MCKINSEY & CO.	396
11	BOOZ ALLEN HAMILTON	408
12	MITRE CORP.	410
13	H&R BLOCK	411
14	KPMG INTERNATIONAL	441
15	HURON CONSULTING GROUP	485

Drugs & Biotechnology

1	BAXTER INTERNATIONAL	6
2	ROCHE	16
3	QUINTILES	30
4	GENZYME	80
5	NOVARTIS	135
6	BIOGEN IDEC	146
7	BRISTOL-MYERS SQUIBB	162
8	JOHNSON & JOHNSON (PRESCRIP. PRODS.)	167
9	ABBVIE	183
10	GENENTECH	202
11	MYLAN	292
12	BAYER	334
13	ASTELLAS PHARMA	346
14	SANOFI	353
15	BOEHRINGER INGELHEIM	354
16	ELI LILLY & CO.	407
17	PFIZER	425
18	GLAXOSMITHKLINE	444
19	ASTRAZENECA	457
20	MERCK & CO.	486

Education

1	WASHINGTON U. IN ST. LOUIS	13
2	MASSACHUSETTS INSTITUTE OF TECH	20
3	UNIVERSITY OF UTAH	36
4	STANFORD UNIVERSITY	40
5	SYRACUSE UNIVERSITY	41
6	UNIVERSITY OF KENTUCKY	44
7	COLUMBIA UNIVERSITY	52
8	UNIVERSITY OF ALABAMA	58
9	FLORIDA INTERNATIONAL UNIVERSITY	64
10	UNIVERSITY OF MINNESOTA, TWIN CITIES	65
11	HARVARD UNIVERSITY	73
12	UNIVERSITY OF ARIZONA	83
13	UNIVERSITY OF CALIFORNIA, DAVIS	86
14	JOHNS HOPKINS UNIVERSITY	90
15	UNIVERSITY OF PITTSBURGH	91
16	KAPLAN	92
17	U. OF NORTH CAROLINA AT CHAPEL HILL	95
18	NEW YORK UNIVERSITY	99
19	BROWARD COUNTY PUBLIC SCHOOLS	108
20	BOSTON COLLEGE	118
21	UNIVERSITY OF FLORIDA	121
22	NORTH CAROLINA STATE U., RALEIGH	125
23	UNIVERSITY OF MICHIGAN, ANN ARBOR	126
24	UNIVERSITY OF WASHINGTON	138
25	CHERRY CREEK SCHOOLS	143
26	INDIANA UNIVERSITY, BLOOMINGTON	150

Engineering & Manufacturing

1	SHAW INDUSTRIES	8
2	CUMMINS	21
3	JOHN DEERE	38
4	BOSCH	66
5	NATIONAL OILWELL VARCO	78
6	MERCURY MARINE	82
7	CAMERON (DRILLING)	109
8	NUCOR	158
9	BURNS & MCDONNELL	163
10	HIGHFIELD MANUFACTURING	177
11	W.L. GORE & ASSOCIATES	178
12	SIEMENS	196
13	JOHNSON CONTROLS	219
14	ARCADIS	220
15	ALCOA	223
16	HUNTINGTON INGALLS (ENERGY)	229
17	CATERPILLAR	248

L.L. Bean

On the factory floor in coastal Brunswick, Me. workers make Bean's signature boots pretty much the same way they did back in 1917.

In the rarefied world of high fashion it isn't unusual for a gown or purse to become so sought-after that people will wait in line for it. The list for Hermès' prim $70,000 Birkin handbag was once years long. Last year Italian couturier Fendi released a small fox fur and mink key chain in the likeness of designer Karl Lagerfeld and claimed the wait list to pay $1,750 was 600 deep.

So it must come as a shock to global fashionistas that the most coveted item in recent memory costs a mere $109 and comes from the rugged New England town of Freeport, Me. rather than an atelier in Paris or Milan. In December outdoor outfitters L.L. Bean announced that the wait list for its unglamorous, all-weather Bean Boots had reached an incredible 100,000 customers.

The two-toned brown-and-taupe leather boots have always had a following on East Coast college campuses thanks to their New England cachet, preppy aesthetic—and durability. But no one, including L.L. Bean CEO Chris McCormick, can quite put a finger on what's driving the current boom, during which boot sales rose 12.5% from 400,000 in 2013 to 450,000 last year. "We forecasted for a large increase this year, but it came in at twice the forecast," says the 32-year company veteran and the first person to lead the company who isn't a descendant of founder Leon Leonwood Bean.

There's no doubt about one reason behind the craze: quality. Every single pair is handmade, with all its components sourced in the U.S. Each set takes anywhere from 45 minutes to an hour to make, passing through eight pairs of hands. On the factory floor in coastal Brunswick the slightly weary workforce is pulling extra shifts to meet demand, but the process remains the same. "You mess up, you're going back to square one," says Cindy Morse, a 21-year Bean veteran, over the thud of a

BEST EMPLOYERS

Deloitte / OVERALL RANK 386

Work here and get four unpaid weeks off to do anything you want.

ILLUSTRATIONS BY BOB DALY FOR FORBES

It's never been about cars.
It's about people.

Thanks to all the 22,000 people of the Nissan team.
In 2014 you drove us to success.
We look forward to seeing what's next.

Best Employers 2015

18	GEORGIA-PACIFIC	249
19	GENERAL ELECTRIC (INDSTRL. SOLUTIONS)	253
20	CORNING	261
21	EATON	264
22	PARKER HANNIFIN	300
23	INTERNATIONAL PAPER	320
24	MASCO	332
25	URS	341
26	CH2M HILL	345

Food, Soft Beverages, Alcohol & Tobacco

1	KRAFT FOODS GROUP	68
2	ALTRIA GROUP	70
3	UNILEVER	160
4	GENERAL MILLS	165
5	DR PEPPER SNAPPLE GROUP	170
6	MARS	204
7	COCA-COLA	255
8	HERSHEY	279
9	NESTLE	285
10	KELLOGG	296
11	MCCORMICK & CO.	312
12	CARGILL	348
13	ANHEUSER-BUSCH INBEV	366
14	FRITO-LAY	387
15	PEPSICO	481

Government Services

1	FIRE DEPARTMENT, CITY OF NEW YORK	17
2	DEPARTMENT OF STATE	34
3	FOREST SERVICE (USDA)	60
4	NATIONAL INSTITUTES OF HEALTH	69
5	UNITED STATES COAST GUARD (DHS)	85
6	CITY OF LOS ANGELES	94
7	NASA	98
8	STATE OF ARKANSAS	107
9	LOS ANGELES COUNTY	115
10	U.S. ARMY CORPS OF ENGINEERS	128
11	NATIONAL OCEANIC & ATMOSPHERIC ADMIN / NATIONAL WEATHER SVC	129
12	STATE OF MICHIGAN	130
13	NATIONAL PARK SERVICE (INTERIOR)	134
14	U.S. AIR FORCE ACADEMY	145
15	AIR FORCE	161
16	STATE OF CONNECTICUT	168
17	STATE OF MINNESOTA	171
18	FEDERAL RESERVE SYSTEM	180
19	PATENT & TRADEMARK OFFICE	187
20	U.S. GOV ACCOUNTABILITY OFFICE	190
21	CITY & COUNTY OF HONOLULU	191
22	DEPARTMENT OF COMMERCE	192
23	STATE OF MISSOURI	201
24	FEDERAL AVIATION ADMINISTRATION (DOT)	213
25	DEPARTMENT OF AGRICULTURE	216

Health Care Equipment & Services

1	AGILENT TECHNOLOGIES	43
2	GE HEALTHCARE	104
3	FRESENIUS MEDICAL CARE	149
4	SMITH & NEPHEW	157
5	HENRY SCHEIN	203
6	DENTSPLY INTERNATIONAL	207
7	ST. JUDE MEDICAL	209
8	MEDTRONIC	232
9	ABBOTT LABORATORIES	233
10	MCKESSON	272
11	STRYKER	305
12	COVIDIEN	349
13	BOSTON SCIENTIFIC	359
14	PHILIPS HEALTHCARE	374
15	CERNER	417
16	BECTON, DICKINSON & CO.	466

Health Care

1	U. OF IOWA HOSPITALS & CLINICS	12
2	NORTHSIDE HOSPITAL	23
3	INTERMOUNTAIN HEALTHCARE	25
4	U. OF MICHIGAN HEALTH SYSTEM	26
5	LAKELAND REGIONAL MEDICAL CENTER	28
6	SEATTLE CHILDREN'S HOSPITAL	32
7	PARTNERS HEALTHCARE SYSTEM	45
8	UNC HEALTH CARE	50
9	THE U. OF VERMONT HEALTH NETWORK	51
10	MEMORIAL SLOAN KETTERING CANCER CENTER	53
11	MAYO CLINIC	74
12	AMERICAN CANCER SOCIETY	75
13	ATLANTIC HEALTH SYSTEM	76
14	KAISER PERMANENTE MEDICAL CARE PROGRAM	81
15	CAROLINAS HEALTHCARE SYSTEM	89
16	NYU-LANGONE MEDICAL CENTER	111
17	BAYCARE	117
18	ROCHESTER REGIONAL HEALTH SYSTEM	120
19	MERCY	122
20	NOVANT HEALTH	127
21	SPARROW HEALTH SYSTEM	137
22	CINCINNATI CHILDREN'S	147
23	NEW YORK-PRESBYTERIAN	152
24	PROVIDENCE HEALTH & SERVICES	153
25	UF HEALTH	154

Insurance

1	UNITED SERVICES AUTO ASSOC.	11
2	MUTUAL OF OMAHA	29
3	UNUM	46
4	ERIE INSURANCE	72
5	ZURICH INSURANCE GROUP	102
6	NORTHWESTERN MUTUAL	124
7	ARTHUR J. GALLAGHER & CO.	179
8	AMICA MUTUAL INSURANCE	224
9	ALLSTATE	225
10	BLUE CROSS & BLUE SHIELD OF MICHIGAN	226
11	METLIFE	236
12	THRIVENT FINANCIAL	266

vamping machine that finishes off each boot with three stitches of heavily waxed thread. There's urgency but no rush. If you bought a pair in February, you can expect to receive them around June.

BEST EMPLOYERS

Parker Hannifin /OVERALL RANK 300

"Best Mousetrap" competition lets engineers pitch Shark Tank-style to top execs.

That high level of commitment runs deep among Bean workers, and it shows. In FORBES' first-ever ranking of America's Best Employers, L.L. Bean—just "Bean" to Freeport locals—finished fifth overall and first among clothing and outdoor-gear makers. Meanwhile, the company recorded revenues of $1.61 billion in 2014, and it expects another uptick this year, its sixth straight, which will take it past even its 2007 prerecession high. FORBES estimates that the private company's profit margin hovers around 10%.

BEST EMPLOYERS

FDNY /OVERALL RANK 17

Firefighters get lifelong medical coverage—for themselves and their families.

This steady growth bucks a downward trend that's seen others in the midpriced-apparel sector struggle. Last spring troubled retailer Sears spun off L.L. Bean's closest competitor, Lands' End, 12 years after buying it for $1.9 billion. Lands' End shares tanked in late January when the cold-weather clothier announced lackluster holiday sales, 7% lower than expected. In February Lands' End made a surprise announcement: It had hired Federica Marchionni, formerly U.S. head of luxury label Dolce & Gabbana, as CEO.

McCormick's team? It's decidedly less chic, and he's just fine with that. "They're really our secret weapon, our competitive advantage," he says. "Because they are so good and so dedicated, I think much more so than other retailers."

BEAN BOOTS WERE ORIGINALLY intended for hunters, not city dwellers aping lumberjacks to be hip or southern college students, both of whom have contributed to the current mania. At the turn of the 20th century Greenwood, Me. native and avid outdoorsman Leon Leonwood Bean had returned home from a hunting trip with soggy feet one too many times.

He hired a local cobbler to develop a pair of waterproof boots. The first L.L. Bean catalog was a three-page flyer he sent to fellow hunters in 1912. Of the initial order of 100 pairs, 92 were returned; Bean's rubber soles had developed cracks. L.L. took out a $400 loan, intent on perfecting his boots. By 1917 he'd set up shop in Freeport. Four years later he patented his Maine Hunting Shoe.

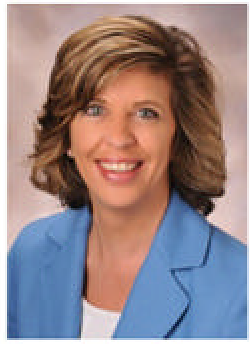
The Bean Boot—among some 150,000 products, from flannel shirts to fleece dog beds to lawn furniture, that the company sells—has made L.L.'s descendants very wealthy indeed. The company remains wholly owned by the family. FORBES estimates the Bean clan's combined net worth at $1.8 billion, earning them a spot on 2014's inaugural list of America's Richest Families.

The current chairman, 49-year-old Shawn Gorman, is L.L.'s great-grandson; he succeeded his uncle Leon two years ago. Members of their extended family hold down jobs all across the 5,300-employee company. There's a fifth-generation Bean in the marketing office. One works in the warehouse and another in a store. There's a young Gorman in the e-commerce part of the business.

McCormick sees the company's family ownership as intrinsic to its culture. "We value our employees more, I think, than maybe some other companies," he says.

While much of L.L. Bean's manufacturing is now done overseas (some 75%), the company's signature boots are still made in Maine, largely the way they were in L.L.'s day.

Putting each boot together entails not just time but a certain degree of skill as



"THE POWERFUL CHEMISTRY OF OUR PEOPLE IS ONE OF OUR STRONGEST COMPETITIVE ADVANTAGES."

—JUDY ZAGORSKI
SENIOR VICE PRESIDENT, HUMAN RESOURCES, BASF CORPORATION

BASF

Creating Chemistry Through Connections

Lab Operations Manager Carmen Hendricks-Guy (right) and Associate Scientist Jessica Stone (left) at BASF's White Biotechnology research center in Tarrytown, New York

Now in its 150th year, BASF has more than 17,000 employees in North America working to create chemistry for a sustainable future. The company is focused on growth, and is making unprecedented levels of investment in the region. Key to BASF's success is its focus on relevant, innovative programs for its employees, reaching across such vital areas as business management; manufacturing; scientific research, development and technology; marketing and sales; and many other vibrant careers.

Nurturing Talent, Fostering Transparency

"We're all about creating connections and chemistry, whether that's through products, technology or our people," says Judy Zagorski, Senior Vice President of Human Resources for BASF Corporation. "The powerful chemistry of our people is one of our strongest competitive advantages. Their ideas, energy and talent set BASF apart, and that's something we work to nurture and enhance."

BASF's internal platforms keep its team members talking. Its employee TV network (eTV) is designed to help personalize BASF and facilitate story sharing across the organization. BASF's Canadian employees piloted eTV as a way of connecting virtual employees, including a large-field salesforce. "They wanted to create that small-company feeling and be in touch more frequently," Zagorski explains. BASF now deploys the platform throughout North America.

An innovative and transparent career website allows prospective employees to read about, follow via social media and even have online conversations with the company's "brand ambassadors." Market research consultant Potentialpark recently ranked BASF among the best companies based on its career website and mobile talent communication efforts.

Work, Life and the Marketplace

The company's compensation and benefits programs have earned the attention of WorldatWork's Alliance for Work-Life Progress. In March, BASF garnered a 2015 Work-Life Seal of Distinction, a unique mark of excellence designed to identify organizational success in work-life effectiveness.

BASF offers a range of benefits that support work-life effectiveness, from flexible work arrangements and a competitive vacation policy to a comprehensive wellness program and volunteer opportunities, among others.

"The award is the culmination of efforts over the last several years," says Zagorski. "Beyond traditional areas of compensation and benefits, we've also looked holistically at our work environment and the development opportunities we provide."

Taking its cue from an employee "total rewards study" and external benchmarking, BASF continuously fine-tunes its total offer. "The study ensures that we're creating value by offering the right mix for all the different employees in our organization," says Zagorski. "In our most recent study, nearly two out of three employees rated our competitive and innovative total rewards program as an important factor in their decision to stay at BASF."

"BASF is very customer- and market-focused," Zagorski adds. "That requires being competitive with the external market and understanding our internal consumers—our employees. Our 'you@BASF' total rewards framework draws together the range of benefits, compensation, learning and development, and work environment elements we offer into a powerful combination that allows employees to create their own chemistry."

That parallels the company's approach to its customers and the market, Zagorski says. "We work to ensure that the technologies and products we develop are going to help our customers meet *their* customers' needs. We understand the connection between employee engagement and business results. So for us, making sure that we have a sustainable offering and inclusive environment that attracts, engages and retains talent is critical to our ability to meet our customers' demands."

Join BASF in a broader discussion of key economic, environmental and societal challenges via its collaborative Creator Space™ at **creator-space.basf.com.**

Discover BASF careers at **www.basf.com.**

13	TRANSAMERICA	271
14	STATE FARM	295
15	OPTUM	297
16	CHUBB	301
17	CIGNA	303
18	TRAVELERS	336
19	CAREFIRST BLUECROSS BLUESHIELD	344
20	HANOVER INSURANCE GROUP	361
21	JACKSON NATIONAL LIFE INSURANCE	364
22	PROGRESSIVE	367
23	ANTHEM	380
24	LIBERTY MUTUAL INSURANCE	406
25	NATIONWIDE	431

Media & Advertising

1	WALT DISNEY	110
2	QVC	141
3	EPSILON	227
4	ESPN	257
5	BLOOMBERG	262
6	PENGUIN RANDOM HOUSE	293
7	NBCUNIVERSAL MEDIA	325
8	TURNER BROADCASTING SYSTEM	328
9	NETFLIX	372
10	THOMSON REUTERS	375
11	AMERICAN BROADCASTING COMPANY	416
12	CBS	433
13	NATIONAL GEOGRAPHIC SOCIETY	465
14	WPP	474
15	PEARSON	503

Packaged Goods

1	ULINE	88
2	3M	97
3	UNILEVER	160
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15	LG ELECTRONICS	395
16	HARRIS	419
17	TEXAS INSTRUMENTS	420
18	THERMO FISHER SCIENTIFIC	432

well, with up to six months of training required for the stitchers. Says L.L. Bean head of public affairs Carolyn Beem, "You can't just hire somebody off the street and say, 'Make the boots.'"

BEST EMPLOYERS

Netflix /OVERALL RANK 372

No one tracks vacation days at the streaming titan. Just take what you need!

During the second shift on a February afternoon Connie Rose, a factory employee of 19 years, hand-cuts leather shoe forms from a pile of tanned hides recently delivered from a cow farm in the northern part of Maine. Next to that pile is a waist-high stack of fluffy sheepskins waiting to be converted into boot linings. Rose uses a steel die that looks like a sharp, oversize cookie cutter to turn flat sheets of leather into the sides, backs and tongues of boots. She says she cuts enough leather per shift to make 120 pairs.

Toward the back of the factory are laundry trolleys laden with hundreds of newly completed Boat and Tote bags, Bean's most-ordered products after the boots, their hardy beige canvas offset by

BEST EMPLOYERS

Starbucks /OVERALL RANK 100

Work just 20 hours a week and get benefits, including bonus and 401(k) match.

colorful pastel straps and monogrammed initials. For every "Liam" or "Lisa" sewed on to a tote, there's a Japanese name; the Boat and Totes are hugely popular in Japan, where L.L. Bean operates 20 stores and is growing.

The workforce is a diverse one, particularly for Maine, where the population is 95% white. More than 40 languages are spoken in manufacturing, according to McCormick. There are workers with origins in the Philippines, the Dominican Republic and Somalia, among others, cutting and sewing alongside born-and-raised Mainers, who make up the bulk of the company's employees.

It's also a relatively old group, with a median age of 48. Royce Haines, L.L. Bean's senior manufacturing manager, works alongside his wife at the company. "Between us we have 60 years," he says, surveying the noisy factory floor and pointing out other sets of couples and longtime employees. The company goes out of its way to recruit older workers, particularly for its seasonal factory and warehouse positions, when it relies on retirees seeking some extra cash. About 60% of the 5,000 extra shift workers who come on board each August for the crucial holiday season return every year. Bean has advertised for these temporary gigs by pointing out that the 25% to 40% employee discount can be used toward gifts for the grandkids.

The pay isn't bad, either. The average hourly worker earns between \$32,000 and \$35,000 annually. This year all 5,300 of Bean's full-timers will get a 5% boost in their pay from company profits, amounting to between \$1,500 and \$2,000 apiece.

A staggering 21% of L.L. Bean's employees have been with the company for more than 20 years. "If you're fortunate enough to get a job at Bean, you stay there," says Dana Connors, president of Maine's Chamber of Commerce. L.L. Bean is among the top five private employers in the state by size, although there isn't a whole lot of competition. (Maine placed 49th on FORBES' 2014 list of Best States for Business, due in part to its high corporate tax burden and lousy job-growth forecast.) Connors credits Bean for weathering a particularly tough retail environment in recent years. "They were opening up stores when everyone else was migrating onto the Internet," he says.

WHILE ONLINE ORDERS officially surpassed phone and mail orders in 2009, L.L. Bean remains a catalog company at heart. Many of its regular customers predate the e-commerce boom and still prefer a voice at the end of a phone. On an afternoon shift at Bean's North-

Astellas

Changing Tomorrow

COLLETTE TAYLOR
SVP of Human Resources and Facilities Management

"What will bring us beyond medical, dental and vision benefits and a 401K match? What will make us different as an employer?" The executive team at Astellas pondered those questions as it charted its benefits package.

Benefits for All Life Stages

Based in Northbrook, Illinois, the Americas affiliate of Tokyo-based Astellas Pharma has grown to 3,000 employees in the U.S., Canada and Latin America. While its primary focus is on developing innovative and reliable therapies, it is also dedicated to positively affecting our local communities. Astellas applied the same innovative approach to its expanded benefits by considering employees' needs holistically.

The result is a comprehensive, one-of-a-kind family-care solution called StarLife Family Care Solutions, which is offered to the company's U.S.-based employees.

"The brilliance of StarLife benefits is that they apply to Astellas' employees, their spouses and domestic partners, their children and their parents," says SVP of Human Resources and Facilities Management Collette Taylor. "For example, we hold seminars for employees and their college-bound children. Coaches help young people with their college applications, provide guidance for the completion of their admission essays, and help navigate financial aid programs."

On the other end of the care spectrum, StarLife helps employees who are also caring for elderly parents—a growing percentage of the U.S. labor force. "We recently had an employee whose father had broken a hip and was coming to live with her," says Taylor. "The StarLife group helped assess the home to make it easier and safer for her dad to get around."

Another aspect of the StarLife program is coverage for damages that employees or their families face when they fall victim to identity theft. "We offer them an advocate to help get them through the process, which can otherwise be extremely costly and time consuming," Taylor says.

Trust Drives Teamwork Environment

"Our culture can be summed up in a couple of phrases," Taylor explains. "Teamwork. Empowerment. Openness to change."

Astellas bases its training and development on the principles of organizational relationships described in Stephen M. R. Covey's *The Speed of Trust*. "We took it to the next level, and we require all employees to go through this program," Taylor says. "We feel that building trust will drive all the other things we want to do in the organization. Without trust, we are not going to be successful as an organization."

Other programs for employee development include resources that help employees set the pace and trajectory of their careers within the company based on their interests, rather than have the company dictate a path for them.

Equality Gets Stellar Score

Astellas also has done some significant work in building its workplace environment and culture, says Taylor. "We are particularly proud to have earned a perfect score on the Human Rights Campaign's (HRC) annual Corporate Equality Index (CEI) in November 2014."

The national benchmarking tool is used to rate companies on policies and practices concerning lesbian, gay, bisexual and transgender (LGBT) employee equality. Astellas has also recently launched a number of Employee Resource Groups to further support diversity and foster a culture of inclusiveness.

Company Growth Means Career Opportunities

"We have grown quite dramatically over the last five years, and we continue our growth," Taylor says. "We have a number of phenomenal jobs open, especially in development and research. We encourage anyone who thinks that this sounds like a good place to work to visit our career site, and to follow us on social media."

www.astellas.us/careers

@AstellasUS

Astellas Pharma engages its employees in local communities through Changing Tomorrow Day, an annual worldwide volunteer event, and the StarGIVING program, which provides up to five days paid time off to full-time employees to provide volunteer support to charitable organizations and a matching gifts program for certain community nonprofit organizations.

Best Employers 2015

19	FLEXTRONICS	443
20	HONEYWELL	451
21	BOSE	454
22	CANON	464
23	DELL	478
24	EMERSON ELECTRIC	482
25	UNITED TECHNOLOGIES	483

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2	FACEBOOK	15
3	INTUIT	22
4	SAS	31
5	CITRIX SYSTEMS	57
6	ESRI	132
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12	PAYPAL	245
13	COGNIZANT TECHNOLOGY SOLUTIONS	263
14	CISCO SYSTEMS	282
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16	SALESFORCE.COM	333
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18	SUNGARD DATA SYSTEMS	368
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3	T-MOBILE USA	377
4	LEVEL 3 COMMUNICATIONS	385
5	VERIZON COMMUNICATIONS	392
6	COX COMMUNICATIONS	439
7	AT&T	449
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2	JETBLUE AIRWAYS	19
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5	UNION PACIFIC	54
6	RYDER SYSTEM	62
7	ALASKA AIR GROUP	93
8	GREYHOUND LINES	105
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10	FEDEX FREIGHT	169
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19	SCHNEIDER	365
20	FEDEX SERVICES	381
21	UNITED PARCEL SERVICE	389
22	AMTRAK	401
23	SKYWEST	426
24	PRIME	430
25	AMERICAN AIRLINES GROUP	496

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2	MARRIOTT INTERNATIONAL	151
3	HILTON WORLDWIDE HOLDINGS	244
4	WALT DISNEY PARKS & RESORTS	260
5	EXPEDIA	291
6	OMNI HOTELS & RESORTS	313
7	STARWOOD HOTELS	327
8	CINEMARK USA	331
9	SEAWORLD PARKS & ENTERTAINMENT	338
10	MGM RESORTS	399
11	REGAL ENTERTAINMENT GROUP	413
12	MOHEGAN SUN	424
13	LIVE NATION ENTERTAINMENT	442
14	HOLIDAY INN	446
15	WEIGHT WATCHERS	459
16	AMC ENTERTAINMENT	472
17	INTERCONTINENTAL	475
18	AVIS	489
19	CAESARS ENTERTAINMENT	493
20	HERTZ GLOBAL HOLDINGS	497

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2	PACIFIC GAS & ELECTRIC	79
3	CON EDISON	148
4	DTE ENERGY	173
5	AMEREN	184
6	COMED	256
7	NATIONAL GRID USA	259
8	DUKE ENERGY	274
9	PUBLIC SERVICE ENTERPRISE GROUP	326
10	ATMOS ENERGY	339

ABOUT THE LIST

Data compiled by Statista.com for FORBES. Based on a survey of 20,000 U.S. workers. For more info: Forbes.com/bestemployers.

port customer service center, Rae Cousins, who's worked there 28 years, comforts a caller who can't seem to pry open the battery door on the LED headlamp he ordered and doesn't want to venture out into the Minnesota winter without it because of his age and frailty. "I understand," says Cousins. "I'm elderly, too."

BEST EMPLOYERS

IBM / OVERALL RANK 452

Young employees teach top executives new tricks in reverse-mentoring program.

Before Cousins is finished with his call, an alarm sounds above the rows of gray cubicles reminding workers to get up and stretch during their shift. Perhaps fittingly for an outdoor-gear manufacturer, Bean is obsessive about its employees' health. There are gyms in every office, call center and factory.

For what the company deems "at risk" workers—diabetics or the obese, for example—there's a competitive, application-only health and fitness program called BeanStrong. Employees who win a slot attend classes during work hours, overseen by trainers and nutritionists. The company pays for 75% of its workers' health care costs as part of its benefits package.

In recent years L.L. Bean has had to train its call center workers to channel their considerable telephone charm toward answering e-mails and social media queries and conducting live chats.

BEST EMPLOYERS

SeaWorld Parks & Entertainment / OVERALL RANK 338

Get sent to wildlife conservation and animal rescue projects around the world.

The company consistently ranks at the top of monthly benchmark reports by StellaService, a Nielsen-like ratings agency for online customer service, beating out competitors such as Lands' End, REI and Patagonia. Metrics include shipping speed, ease of returns and quality of correspondence.

"They're relentless at this," says Ty McMahan, head of marketing at StellaService. "The level of attention, the product knowledge, the policy knowledge—they're consistent across all channels."

At the Northport customer call center 30-year Bean veteran Jayne Buckoff maintains a sample room filled with almost every product the company sells, from T-shirts to canoes. This way if an employee has to answer a detailed question, he or she has the item at hand. Buckoff also keeps a file cabinet full of yellowing instruction manuals going back 60 years. "It's for when a customer inherits their uncle George's tent but doesn't know how to set it up," she says.

L.L. BEAN HAS A PLAN TO cut its waiting list down. Over the next few months the Brunswick factory will hire 100 new workers who'll focus solely on the coveted Bean boot—a 25% boost to the company's full-time shoemaking workforce. A second injection-molding machine will be installed so Bean can make enough rubber soles to keep up with demand.

It'll soon be seeking a new crop of retail employees, too. In March CEO McCormick announced a plan to quadruple L.L. Bean's brick-and-mortar footprint by 2020. Today the outfitter runs 25 stores in the U.S. The goal is to reach 100 in five years, while adding outlets in key overseas markets like Japan and China.

Next year the company will close its Bangor call center, where 220 people currently work full-time, a number that swells to over 800 in the busy holiday seasons. "Call volumes have dropped because of the Web," says McCormick. "We have three call centers now, and we really don't need three. It's a transformation of the business from catalog to Web."

He's assured these staffers that they'll be able to stay on as home agents if they'd like, answering e-mails and doing live chats. Those who aren't keen will be offered severance pay. "We offered jobs to everyone," he says, a signal to those in its workforce that Bean will take care of them, just as they take care of the company.

Who knew

A LITTLE KISS

could ***change the world?***

Back in 1894, socially minded businesses were not the norm. That didn't stop Milton Hershey from building a town for his employees—providing not only jobs, but a place to live and thrive. He dedicated his fortune to establish a residential school for children in need, proving that when a company stands for more than the bottom line, great things happen.

Today, Hershey is a global company with more than 80 brands and a vibrant, diverse workforce. Milton Hershey's passion for helping kids in need still inspires us. Using our food expertise, we are working with partners to find innovative ways to improve nutrition for kids. We believe in creating a better life and bright future for generations to come.

HERSHEY

BRINGING GOODNESS TO THE WORLD
SINCE 1894.

Serious Coin

After amassing the world's most valuable coins over 35 years, D. Brent Pogue will begin auctioning his coveted collection in May. It'll cost a mint—an estimated $200 million.

BY JONATHON KEATS

Old money: D. Brent Pogue at Stack's Bowers Galleries in Irvine, Calif.; an 1804 silver dollar with an estimated value of $8 million to $10 million.

ETHAN PINES FOR FORBES

American commerce was anarchic during George Washington's first term as President. Merchants used a jumble of coins from Europe because the United States lacked a mint of its own. So in 1792 Washington gave 58 ounces of silver bullion to a Philadelphia sawmaker named John Harper, who pressed the nation's first currency: 1,500 "half dismes," stamped with the head of Miss Liberty, bearing a value of five cents apiece. The President was so pleased with this achievement that he touted it in his next speech to Congress.

Washington had good reason to be proud. "A nation's sovereignty was symbolized by its coinage," explains Q. David Bowers, chairman emeritus of Stack's Bowers Galleries, "and these were our country's first coins." Several hundred examples of those first half dismes have survived. One of the finest, still as crisp and detailed as when it left Harper's shop, will be sold by Stack's Bowers on May 19 in the first of seven auctions of the D. Brent Pogue Rare Coin Cabinet. It's expected to bring in up to $350,000.

While the rarity and condition of Pogue's half disme would earn it pride of place in most coin collections, its value amounts to pocket change in what will likely be the most valuable such collection ever auctioned. The 650 coins in the Pogue Cabinet, amassed over 35 years, are "going to sail past the nine digits," Bowers

says confidently. According to presale estimates, the auctions are expected to bring in more than $200 million for what New Jersey coin dealer Laura Sperber recently described as “the ultimate coin collection.”

The 50-year-old Pogue is the first to admit it didn’t start out like that. In 1974, when he was 9 years old, his father, Dallas real estate developer Mack Pogue, brought home a sack of old pennies and a price guide to give the boy a hobby. Mack told his son he had paid $100 for the bag, and Brent had a seven-day option to purchase it for $110. “My business instinct kicked in,” Brent recalls. He picked out a 1915 cent that he appraised at $80 because it was so shiny. “I exercised my option within 20 minutes.”

Spare change: a 1796 quarter dollar ($750,000 to $1 million); an 1822 $5 coin ($8 million to $10 million).

As Pogue’s knowledge broadened and his connoisseurship deepened, his focus narrowed to the first half-century of American coinage, when dies were still engraved by hand. By 1982 his father trusted his judgment enough to buy an 1822 $5 gold piece *(above)* at auction for $687,500. (It was one of three known to have survived; the other two are in the Smithsonian.) “I knew we had to buy the coin because it would let us put together a complete set,” Pogue says. “It’s the kind of coin that could go away for 50 years once it’s sold.”

Pogue has managed the family holdings ever since, spending four decades patiently gathering the full run of early federal coinage in the best available condition—“a collection representing our country’s economic birth,” as he describes it—driven by his modern business sense. “You have to be opportunistic, and you have to have guts,” he says. At one auction that meant bidding $4.1 million on the legendary 1804 silver dollar—in the finest condition of eight known—spending more than twice as much as had ever been paid for any coin at auction.

That was in 1999. The following year another 1804 dollar came up for sale. Still stunned by how much he and his son had splurged the first time, Mack Pogue wanted nothing to do with it—yet Brent prevailed upon his father to spend another $1.8 million. “I thought he was going to put his hands around my neck,” Brent recalls. “I told him he had to protect his investment.”

From that point forward the Pogues just kept going, with Brent increasingly thinking of the hobby as a business and himself as a manager. “I regard myself as the steering wheel of this collection,” he says. “My family is the gasoline.”

The combination has been formidable, overcoming even the toughest of obstacles: fellow collectors who have no intention of selling.

One recent transaction took more than three years of bartering with a World War II veteran living in Ingalls, Ind. “He had metal fragments all through his body and an amputated leg, and the last thing you want is to negotiate with a man who survived all that,” Pogue says. But the vet’s collection of 200 coins included a few key pieces that the Pogues needed, such as a 1793 chain cent—the nation’s earliest penny—in gem mint state, the finest in existence.

So why sell the family’s core holdings now? “In my mind the collection is complete,” Pogue says. “Some of these coins have been off the market for 35 or 40 years. It’s time to share them with the numismatic community.”

“These sales will be very good for the coin market,” Bowers says. “Very, very few people in numismatic history have ever put together a collection like this. It will be a once-in-a-lifetime opportunity to own some of these coins. A record price now will be a bargain in ten years.” ✱

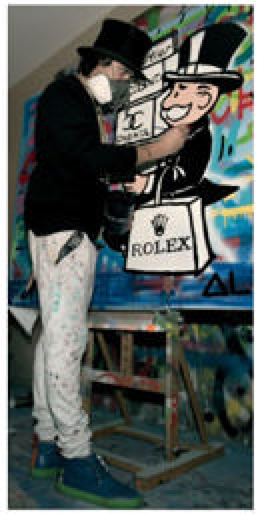
FINAL THOUGHT

✱ *“The only currency I value is the coin of the spirit. That’s very important in my life.”* **—KINKY FRIEDMAN**

TRENDING

What the 70 million Forbes.com users are talking about. For a deeper dive go to FORBESLIFE.COM

PERSON
ALEC MONOPOLY
The young artist (“Alec Monopoly” is his *nom de graffiti*), who regularly paints wealthy pop-culture characters such as Richie Rich and Scrooge McDuck, will have his first solo museum show in May.



COMPANY
ETIHAD AIRWAYS
The airline began offering tickets for a $32,000 penthouse suite and nine first-class apartments on its JFK–Abu Dhabi route (one-way); they sold out within four hours.

IDEA
THE $75,000 APPLE WATCH
Tim Cook & Co. charge $10,000 for their top-line timepiece, but you can go higher: Brikk is selling diamond-encrusted gold ones for $75,000.

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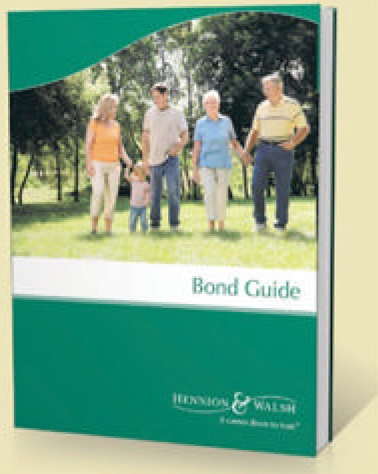

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Advantage #3: The potential for tax-free income.

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Why municipal bonds may deserve a place in your portfolio. (Page 1)

Why insured bonds often provide an extra degree of security. (Page 2)

Why municipal bonds can potentially provide safety of principal. (Page 3)

How municipal bonds can potentially provide tax-free income. (Page 3)

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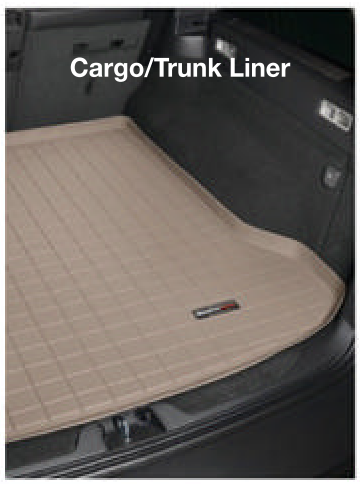

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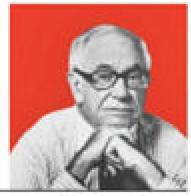
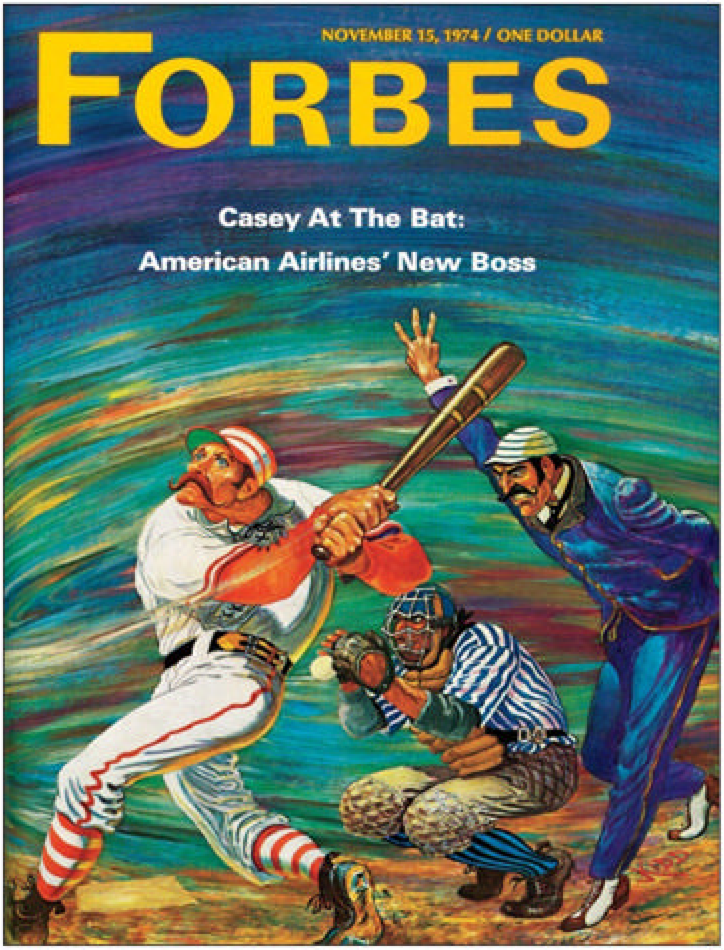
FINAL THOUGHT

"I hope Pan Am will eventually return to its old glory, which added so much to Old Glory."

—MALCOLM FORBES





"Albert Vincent Casey, president of American Airlines since last February, is already very proud of one thing he has done at the big, formerly ailing airline. 'Look,' he says, 'I've got the costs of this company right by the you-know-whats and I'm not going to let go.' Al Casey has a firm grip and he's squeezing hard. Advice to pessimists: Don't call Al Casey out before he has taken a fair swing at the ball."

—FROM THE NOV. 15, 1974 ISSUE OF FORBES

OTHER THOUGHTS FROM THAT ISSUE:

LIFE IN THE VINYL JUNGLE *"Flamboyant 32-year-old David Geffen is still snug in a five-year employment contract at Warner, but he seems restless. One story is that he wants to sell out, and then make movies starring his girlfriend Cher, the better half of the famed husband-and-wife singing team of Sonny and Cher (who, as the saying goes, are 'splitsville')."*

SATANIC REVERSAL *"Warner Communications seems to emanate bad vibrations. Warner is minting money with its movie* The Exorcist, *but you wouldn't know it from the price of its stock, which is down 80% since 1973."*

ON AVIATION

"The desire to fly is an idea handed down to us by our ancestors who looked enviously on the birds soaring freely…on the infinite highway of the air."

—WILBUR WRIGHT

"Thank God men cannot fly, and lay waste the sky as well as the earth."

—HENRY DAVID THOREAU

"We fly, but we have not 'conquered' the air. Nature presides in all her dignity, permitting us the study and use of such of her forces as we may understand."

—BERYL MARKHAM

"The bombers … move like nothing that has ever been. They move like mechanized doom."

—ERNEST HEMINGWAY

"My airplane is quiet, and for a moment still an alien, still a stranger to the ground, I am home."

—RICHARD BACH

"At best, I consider flying an unavoidable necessity, a time to…contemplate the end of all joy in a twisted howling heap of machinery."

—T.C. BOYLE

"So I said, 'Oh, that I had wings like a dove! I would fly away and be at rest.'"

—PSALMS 55:6

"Flying might not be all plain sailing, but the fun of it is worth the price."

—AMELIA EARHART

"Every bird that flies has the thread of the infinite in its claw."

—VICTOR HUGO

"Striker, listen, and you listen close: Flying a plane is no different than riding a bicycle. Just a lot harder to put baseball cards in the spokes."

—ROBERT STACK, *AIRPLANE!*

SOURCES: WEST WITH THE NIGHT, BY BERYL MARKHAM; GOODREADS.COM; THE TIMES BOOK OF QUOTATIONS; STRANGER TO THE GROUND, BY RICHARD BACH; IF THE RIVER WAS WHISKEY, BY T.C. BOYLE; THE FUN OF IT, BY AMELIA EARHART; FOR WHOM THE BELL TOLLS, BY ERNEST HEMINGWAY; LES MISÉRABLES, BY VICTOR HUGO.

"IT'S NOT JUST STREETLIGHTS. IT'S ABOUT A SENSE OF COMMUNITY."

ODIS JONES
CEO, PUBLIC LIGHTING AUTHORITY OF DETROIT

At one point, 40 percent of streetlights in Detroit didn't work. This made life even more difficult for a city that was already struggling.

The Public Lighting Authority of Detroit devised a plan to reilluminate the city. But finding a bank to finance the project during Detroit's bankruptcy was challenging. Citi stepped up and committed its own capital, which encouraged other investors. So far, thousands of new LED lights have been installed, lighting the way as a model for similar projects around the world.

For over 200 years, Citi's job has been to believe in people and help make their ideas a reality.

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